

Blues Trust
Registered Office:

Blues Supporters Society Limited, Avebury House,
55 Newhall Street, Birmingham, B3 3RB



17th April 2015

Mr Victor Wong
Manager
External Relations, Corporate Affairs
Securities and Futures Commission
35/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

By email (attn. Mr. Victor Wong) to complaint@sfc.hk

Dear Mr Wong

Re: Birmingham International Holdings Limited (BIHL)

I refer to our letter dated 22nd December 2014 and your response dated 23rd January 2015 (your ref: 20150020) in which you invite us to write to you again if we have any additional information regarding our complaint.

We are pleased to note that there have recently been a number of new or revised Disclosure of Interest notices published which clarify some the points raised in our original letter to you, in particular those relating to shareholders Pavlakis Panagiotis, Yang Yue Zhou, Inkatha Group Limited and U-Continent Holdings Limited.

However, we would like to draw your attention to disclosure notices in respect of shareholders Yeung Ka Sing, Carson and Wang Lei as we believe they may contain some significant errors, giving a misleading and inaccurate picture of BIHL shareholdings. Disclosure notices in respect of U-Continent Holdings Limited and Yang Yue Zhou are also relevant in this context, although we do not believe these to be in error. Details of our concerns are set out in the attachment.

As previously, we would ask you to investigate the matters we raise in this letter. Also, we would like to send copies of our letters to you to the Stock Exchange of Hong Kong so that they are made aware of our concerns. Please let me know if you have any objection to this.

Please do not hesitate to contact me if you require clarification of any matters raised in this letter. I look forward to hearing from you.

Yours sincerely,

Mark Sutton
Member, Blues Trust
E-mail: marksutton@blustrust.org

Attachment

Yeung Ka Sing, Carson

Two disclosure notices were published on 9th April 2015 relating to shareholder Yeung Ka Sing, Carson concerning relevant events on 14th November 2014 and 4th March 2014. We have some difficulty in reconciling the information contained in these notices with other disclosures made by the same shareholder. Specifically, our concerns are:

1. The recent notice disclosing a sale of 66,352,000 shares on 4th March 2014 does not appear to be taken into account in the nine notices for Yeung Ka Sing, Carson relating to subsequent relevant events on 13th, 14th, 17th and 18th March 2014, 13th and 16th June 2014, 31st July 2014, 1st August 2014 and 14th November 2014. Therefore, the "Total shares in listed corporation immediately after the relevant event" reported in each of the notices relating to subsequent relevant events appears to be overstated by 66,352,000 shares.
2. The recent notice concerning a relevant event on 14th November 2014 reports an increase in shareholding by some 2,700,000,000 shares. We understand that the relevant event relates to share conversion – the Next Day Disclosure Return submitted by BIHL on 14th November 2014 indicates that 2,700,000,000 shares were issued to Yeung Ka Sing, Carson on that date, pursuant to conversion of the Debt Convertible bond. However, it appears that the full amount of shares associated with the Debt Convertible bond (6,450,000,000 shares) was included in disclosure notices relating to earlier relevant events (see for example disclosure notice for relevant event on 7th February 2014 – incidentally this notice appears to contain a minor error, corrected in later notices, which understates the shares interested in by 40 shares). Therefore, the notice relating to the relevant event on 14th November appears to overstate the shareholding after the relevant event by 2,700,000,000 shares.
3. Taking the points made in 1. and 2. above together the recent notice concerning the relevant event on 14th November 2014 appears to overstate the shareholding after the relevant event by $66,352,000 + 2,700,000,000 = 2,766,352,000$ shares. This is a significant discrepancy – if the shareholding reported in the disclosure notice were correct Yeung Ka Sing, Carson would (taking account of outstanding conversion shares) hold about 56% of the issued share capital in BIHL, significantly above the 30% threshold which triggers a mandatory offer for the company.
4. We have one further point regarding the recent notice concerning the relevant event on 14th November 2014. The notice states that Great Luck Management Limited, a corporation controlled by the substantial shareholder, holds 369,401,066 shares. This appears to conflict with the disclosure notice relating to Great Luck Management in respect of a relevant event on 1st August 2014 which indicates that 369,401,066 shares were disposed of on that date leaving a residual shareholding of zero.

U-Continent Holdings Limited

A disclosure notice concerning U-Continent Holdings Limited relating to a relevant event on 14th November 2014 indicates a shareholding of 5,499,999,999 shares of which 3,999,999,999 are derivative interests. A disclosure notice concerning Yang Yue Zhou also relating to a relevant event on 14th November 2014 states that Yang Yue Zhou was the controlling shareholder of U-Continent Holdings

Limited (with 100% control) on that date. A further disclosure notice concerning Yang Yue Zhou relating to a relevant event on 27th November 2014 indicates that from that date Yang Yue Zhou's interest reduced by 5,499,999,999 shares (the same number of shares held by U-Continent Holdings Limited). There is no reference in that disclosure to Yang Yue Zhou being the controlling shareholder of U-Continent Holdings Limited – the implication is that Yang Yue Zhou was no longer the controlling shareholder of U-Continent Holdings Limited from that date.

Our concerns are:

5. These disclosures imply that U-Continent Holdings Limited remains a corporate substantial shareholder with 5,499,999,999 shares of which 3,999,999,999 are derivative interests. However, no individual substantial shareholder disclosure notice has been published relating to the relevant event on 27th November 2014 (or any subsequent date) identifying the person or persons with a controlling interest in U-Continent Holdings Limited. This means that the identity of the person or persons controlling shares and derivatives amounting to 56.81% of the BIHL issued share capital remains unknown. This would appear contrary to the disclosure rules.

We note that a disclosure notice concerning Wang Lei relating to a relevant event on 27th November 2014 has been published but this did not identify Wang Lei as having a controlling interest in U-Continent Holdings Limited – we expand upon our concerns regarding this notice below.

Wang Lei

A disclosure notice concerning Wang Lei relating to a relevant event on 27th November 2014 indicates the acquisition of 4,860,706,666 shares, representing 50.21% of the BIHL issued share capital. According to the notice the shares are held by Wang Lei in the capacity of beneficial owner and not as an interest of a corporation controlled by the substantial shareholder. Further, the notice states derivative interests as “nil”.

Other information regarding Wang Lei's shareholding in BIHL can be found on the Birmingham City Football Club web-site – under Football League Regulation 94, Birmingham City Football Club must publish the identities of persons with a significant interest (i.e. >10%) in BIHL, and hence in Birmingham City PLC and Birmingham City Football Club Plc. Currently the published figure for Wang Lei is 15.5% BIHL, which equates to a holding of approximately 1,500,000,000 shares in issue. This is the same number of shares in issue disclosed as being held by U-Continent Holdings Limited (i.e. total holding of 5,499,999,999 shares less 3,999,999,999 derivatives = 1,500,000,000 shares in issue, see above).

The information above suggests that:

- (i) Wang Lei's shareholding may include some derivative interests if (as per the information published by Birmingham City Football Club) only 1,500,000,000 shares within the total shareholding are shares in issue
- (ii) There may be some connection between Wang Lei's acquisition of shares and the U-Continent Holdings Limited shareholding:
 - (a) The date on which Wang Lei acquired the shares (27th November 2014) is the same date that Yang Yue Zhou ceased to be the controlling shareholder of U-Continent Holdings Limited

- (b) The number of shares in issue held by Wang Lei and U-Continent Holdings Limited appears to be the same (1,500,000,000)
- (c) It appears that the only means by which Wang Lei could acquire derivative interests is via U-Continent Holdings Limited (the only other shareholder with derivative interests is Yeung Ka Sing, Carson who according to disclosure notices retains his derivatives in full)

In light of the above, our specific concerns are:

- 6. Wang Lei's shareholding may include some derivative interests which should be (but are not) specified in the Wang Lei disclosure notice. Indeed, if the disclosure notice were correct in stating that derivative interests are "nil" then the disclosed shareholding of 50.21% would be above the 30% level and a mandatory general offer should be triggered.
- 7. If Wang Lei has acquired a controlling interest in U-Continent Holdings Limited then the Wang Lei disclosure notice should reflect this, specifying the interests of corporations controlled by substantial shareholder (U-Continent Holdings Limited), the total number of shares held (5,499,999,999) and derivative interests (3,999,999,999).
- 8. If on the other hand Wang Lei has acquired shares from U-Continent Holdings Limited and, as per the disclosure notice, holds them in the capacity of beneficial owner and not as an interest of a corporation controlled by the substantial shareholder, there should be a U-Continent Holdings Limited disclosure notice reflecting the transaction.
- 9. Irrespective of the capacity in which Wang Lei holds shares, if Wang Lei has acquired, or acquired control of, the U-Continent Holdings Limited shareholding *in full*, the Wang Lei disclosure notice as it stands understates the total number of shares held by 639,293,333 (5,499,999,999 shares held by U-Continent Holdings Limited less 4,860,706,666 shares held by Wang Lei as disclosed).