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Birmingham City plc

Response of the Birmingham City Directors

to the

Cash Offer by Grandtop International Holdings Limited

Shore Capital, which is authorised and regulated in the UK by the Financial Services Authority, is acting exclusively for Birmingham City and no one else in connection with the Offer and the matters referred to in this document. Shore Capital will not be responsible to any person other than Birmingham City for providing the protections afforded to clients of Shore Capital, nor for providing advice in relation to the Offer or any other matter referred to in this document.

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Capitalised terms which appear in this document have, save as otherwise indicated, the meanings set out under Definitions on page 14 of this document. The sources and bases for information in this document are set out in paragraph 7 of Part II of this document.

FORWARD-LOOKING STATEMENTS

This document, including information included or incorporated by reference in this document, may include certain “forward-looking statements”. These statements are based on the current expectations of the Birmingham City Directors and are naturally subject to uncertainty and changes in circumstances. The forward-looking statements contained herein may include statements about the expected effects on the Company of the Offer, the expected timing and scope of the Offer, strategic options and all other statements in this document, other than historical facts. Without limitation, any statements preceded or followed by or that include the words “targets”, “plans” “believes”, “expects”, “aims”, “intends”, “will”, “may”, “should”, “could”, “would”, “can”, “continue”, “opportunity”, “anticipates”, “estimates”, “projects” or words or terms of similar substance or the negative thereof, are forward-looking statements. Forward-looking statements involve risk and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the Company’s abilities to control or estimate precisely, such as: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of the Company’s operations and potential synergies resulting from the Offer; and (iii) the effects of government regulation on the Company’s business. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, the satisfaction of the conditions to the Offer, changes in economic conditions, changes in the level of capital investment, success of business and operating initiatives and restructuring objectives, changes in consumer habits and preferences, competitive product and pricing pressures, customers’ strategies and stability, changes in the regulatory environment, fluctuations in interest and exchange rates, the outcome of litigation, government actions and natural phenomena such as floods, earthquakes and hurricanes. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. The Company does not assume any obligation nor does it intend to update publicly or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

DEALING DISCLOSURE REQUIREMENTS

Under the provisions of Rule 8.3 of the Takeover Code, if any person is, or becomes ‘interested’ (directly or indirectly) in 1% or more of any class of ‘relevant securities’ of the Company, all ‘dealings’ in any ‘relevant securities’ of that company (including by means of an option in respect of, or a derivative referenced to, any such ‘relevant securities’) must be publicly disclosed by no later than 3.30pm (London time) on the London business day following the date of the relevant transaction. This requirement will continue until the date on which the offer becomes, or is declared, unconditional as to acceptances, lapses or is otherwise withdrawn or on which the ‘offer period’ otherwise ends. If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire an ‘interest’ in ‘relevant securities’ of the Company, they will be deemed to be a single person for the purpose of Rule 8.3.

Under the provisions of Rule 8.1 of the Takeover Code, all ‘dealings’ in ‘relevant securities’ of the Company by Grandtop or the Company, or by any of their respective ‘associates’, must be disclosed by no later than 12.00 noon (London time) on the London business day following the date of the relevant transaction.

A disclosure table, giving details of the companies in whose ‘relevant securities’ ‘dealings’ should be disclosed, and the number of such securities in issue, can be found on the Takeover Panel’s (the “Panel”) website at <http://www.thetakeoverpanel.org.uk/>.

‘Interests in securities’ arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an ‘interest’ by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.

Terms in quotation marks are defined in the Takeover Code, which can also be found on the Panel’s website. If you are in any doubt as to whether or not you are required to disclose a ‘dealing’ under Rule 8, you should consult the Panel.

If you are in any doubt as to the application of Rule 8 to you, please contact an independent financial adviser authorised under the Financial Services and Markets Act 2000, consult the Panel’s website at www.thetakeoverpanel.org.uk or contact the Panel on telephone number +44 20 7638 0129; fax +44 20 7236 7013.

PART I



Birmingham City plc

(incorporated and registered in England and Wales, number 3304408)

Directors

David Sullivan, *Non-Executive Chairman*
Karren Brady, *Managing Director*
Roger Bannister, *Finance Director*
David Gold, *Non-Executive Director*
Ralph Gold, *Non-Executive Director*
Michael Wiseman, *Non-Executive Director*

Head and Registered Office
St Andrews Stadium
Birmingham
West Midlands
B9 4RL
United Kingdom

28 September 2009

To Birmingham City Shareholders

Dear Shareholder,

RECOMMENDED CASH OFFER FOR BIRMINGHAM CITY BY GRANDTOP

1. Introduction

On 21 August 2009, Grandtop announced the terms of a cash offer by Grandtop to acquire the entire issued and to be issued ordinary share capital of Birmingham City.

The purpose of this letter is to explain the background to, and the terms of, the Offer and the reasons why the Birmingham City Directors, who have been so advised by Shore Capital (as independent financial adviser for the purposes of Rule 3 under the Takeover Code), consider the terms of the Offer to be fair and reasonable. In providing advice to the Birmingham City Directors, Shore Capital has taken account of the Birmingham City Directors' commercial assessments. The Birmingham City Directors unanimously recommend that all Birmingham City Shareholders accept the Offer.

Full details of the Offer, including its terms and conditions, are contained in the Offer Document which was posted to Birmingham City Shareholders by Grandtop on 15 September 2009.

2. Terms of the Offer

The Offer is for the entire issued and to be issued ordinary share capital of Birmingham City, other than Birmingham City Shares already owned by Grandtop, on the following basis:

100 pence in cash for each Birmingham City Share

The Offer values the entire issued ordinary share capital of Birmingham City at approximately £81.51 million and represents a premium of approximately 55 per cent. to the Closing Price of 64.5 pence per Birmingham City Share on 20 August 2009, being the last Business Day prior to the Offer Announcement, a premium of approximately 150 per cent. to the Closing Price of 40 pence per Birmingham City Share on 11 August 2009, being the last Business Day prior to the commencement of the Offer Period and a premium of approximately 240 per cent. over the

average Closing Price for the 6 month period prior to the Offer Announcement of 29.4 pence per Birmingham City Share.

Birmingham City Preference Shareholders should note that Grandtop has not made an offer for the Birmingham City Preference Shares and is not obliged to do so under the Takeover Code.

3. Background to and reasons for recommending the Offer

On 12 August 2009, Birmingham City announced that it had received an approach from Grandtop which might lead to an offer for the entire issued share capital of Birmingham City. Following this approach, Grandtop announced the Offer for the entire issued and to be issued share capital of Birmingham City on 21 August 2009. Grandtop's Offer Document was posted to Birmingham City Shareholders on 15 September 2009.

Birmingham City was previously approached by Grandtop in June 2007. This approach led to certain Birmingham City Directors selling to Grandtop, in aggregate, 24,375,975 Birmingham City Shares, representing 29.9 per cent. of the existing issued share capital of Birmingham City. The Birmingham City Directors and Grandtop continued discussions with a view to Grandtop making an offer for the remainder of the existing issued share capital of Birmingham City. However, such discussions did not culminate in an offer, and on 20 December 2007, Birmingham City announced that it had terminated discussions with Grandtop as the Birmingham City Directors were no longer confident that Grandtop was able to make an offer for Birmingham City at that time.

Grandtop has now managed to obtain the necessary financing to proceed with an offer and this has been formally confirmed by Grandtop's financial advisers in the Offer Document. It should be noted though that the Offer is still conditional on approval by Grandtop Shareholders.

The Board of Birmingham City believes that the Offer represents a fair price for Birmingham City Shares at this time. Further, the Board believes that Grandtop, through its connections in the People's Republic of China, is well positioned to increase the global fan base of Birmingham City FC as well as enhancing its brand awareness. We are also reassured by Grandtop's intention to retain Alex McLeish as first team manager. These factors, combined with the intention to invest in strengthening the squad and the Club's infrastructure, should place the Club in a strong position going forward.

4. Current trading and prospects

Interim results

In Birmingham City's interim results for the six months ended 28 February 2009 (the last period for which Birmingham City has published financial information), released on 22 May 2009, Birmingham City made the following statement:

"Managing Director's Review

- Turnover for the 6 months, £15.6m (£32.6m in 2008 H1)
- Operating loss £4.0m (£7.8m profit in 2008 H1)

The figures being reported on in the six months cover the first half of the season (entirely in the Championship) and show turnover considerably lower at £15.6m (2008 H1: £32.6m). The 2008 figures cover the same period in the Premier League. Operating loss before interest and taxation of £4.0m compared to a profit in 2008 of £7.8m. Wage costs fell by £3.0m and there was a gain on the sale of player registrations, £0.9m compared to £1.65m in the previous year. The full year results will include the remainder of the season in the Championship and the first month in the Premier League.

We estimate that promotion will mean additional revenues of around £30m from the Premier League, together with a positive effect on attendances and increases in most revenue streams. We must use the opportunity that Premier League membership provides to maximise our commercial revenues, recognising that we will need to spend more on the playing squad.

Promotion to the Premier League at the first attempt justifies the Board's confidence in the football management team and the challenge is now to manage supporter expectations in playing at this higher level while being aware of the risks involved in over-stretching the Club financially. During the close season major works are being undertaken on the Stadium with the installation of under-soil heating, a new pitch complete with pitch perimeter track, erection of a new electronic scoreboard and information screen, refurbishment of the Main Stand and

Superstore and a new tannoy announcement system. Further work on the Training Ground at West Hills is also taking place with an upgrade of the pitches and a new reception area being built.

The Academy has had a successful season with three young players signing their first professional contracts. In total 12 players from the Academy have represented their country. Players coming through from the Academy into the first team are the future lifeblood of the Club.

We look forward to competing in what is now universally recognised as the leading league in world football during season 2009/2010 and beyond.”

Short term loans

Birmingham City has made the following statements regarding short term loans from certain Birmingham City Directors.

9 June 2009:

“Birmingham City Football Club (the “Club”) has agreed short term, unsecured, working capital loans from two of its directors, David Sullivan and David Gold, to fund its stadium refurbishment and player purchase programmes.

Under the terms of these loans, Roldvale Ltd Employee Benefit Trust (in which David Sullivan is interested) and David Gold, will each lend £1m to the Club, repayable on or before 1st September 2009. The loans will bear an interest rate of 0.5 per cent. per month. There will be no facility fee payable.

As required by Rule 13 of the AIM Rules for Companies, the Company’s directors (other than the directors interested in the loans) consider, having consulted with the Company’s nominated adviser Shore Capital and Corporate Limited, that the terms of the loans are fair and reasonable in so far as its shareholders are concerned.”

26 June 2009:

“Further to the announcement made on 9 June 2009, Birmingham City Football Club (the “Club”) has agreed additional short term, unsecured, working capital loans from three of its directors, David Sullivan, David Gold and Ralph Gold, to fund its stadium refurbishment and player purchase programmes.

Under the terms of these loans, Roldvale Ltd Employee Benefit Trust (in which David Sullivan is interested) will lend £1.5m, and David Gold and Ralph Gold will each lend £750,000 to the Club, repayable on or before 1st September 2009. The loans will bear an interest rate of 0.5 per cent. per month. There will be no facility fee payable.

As required by Rule 13 of the AIM Rules for Companies, the Company’s directors (other than the directors interested in the loans) consider, having consulted with the Company’s nominated adviser Shore Capital and Corporate Limited, that the terms of the loans are fair and reasonable in so far as its shareholders are concerned.”

10 August 2009:

“The Company is pleased to announce that Birmingham City Football Club has now repaid in full the short term, unsecured, working capital loans (the “Short Term Loans”) from three of its directors, David Sullivan, David Gold and Ralph Gold. The Short Term Loans, which were previously announced on 9 June 2009 and 26 June 2009, amounted to £5m in total and were intended to fund the stadium refurbishment and player purchase programmes.”

5. Management and employees

Grandtop has assured the Board that it intends to continue to run Birmingham City as a football business, with operations remaining at the current locations. Grandtop has also indicated that it does not have any immediate plans to dispose of, or otherwise change the use of, any assets within the Birmingham City portfolio, although it would consider any potential opportunities if and when they arise.

Grandtop has indicated that it will work with the executive management team of Birmingham City and expects existing members of senior management to continue to be involved in the ongoing business of Birmingham City. Following the Offer becoming or being declared wholly unconditional, David Sullivan has agreed to resign from the Board of Birmingham City. In addition, the

employment of Karren Brady, Roger Bannister and Ralph Gold will also terminate upon the Offer becoming or being declared wholly unconditional. David Gold has indicated that he is willing, subject to agreeing the terms with Grandtop, to remain on the Board and continue in the role of Chairman of the Club. Michael Wiseman is also expected to remain a director of the Company.

Grandtop has given assurance to the Board of Birmingham City that, on the Offer becoming or being declared wholly unconditional, the existing employment rights of all management and employees of Birmingham City, including pension rights, will be fully safeguarded.

The Board of Birmingham City, in its discussions with Grandtop, has no reason to believe that Grandtop's intentions would prejudice its employees and is comforted that Grandtop has no current plans to alter existing arrangements with employees.

6. Irrevocable undertakings

Certain Birmingham City Directors, being David Sullivan, David Gold and Ralph Gold, and persons connected with them, have given Grandtop irrevocable undertakings to accept, or to procure the acceptance of, the Offer in respect of their entire beneficial holdings of, in aggregate, 40,757,026 Birmingham City Shares, representing approximately 50.0 per cent. of the existing issued share capital of Birmingham City. These undertakings will cease to be binding only if the Offer lapses or is withdrawn and will remain binding in the event that a higher competing offer is made for Birmingham City.

On 23 September 2009, Grandtop announced that as at 1.00 pm on 22 September 2009 Grandtop had received valid acceptances in respect of 42,211,337 Birmingham City Shares representing approximately 51.8 per cent. of the current issued ordinary share capital of Birmingham City and approximately 73.9 per cent. of the Birmingham City Shares to which the Offer relates. Grandtop is, and was before the start of the Offer Period, already the registered and beneficial owner of 24,375,975 Birmingham City Shares, representing approximately 29.9 per cent. of Birmingham City's issued ordinary share capital. Accordingly, as at 1.00 pm on 22 September 2009 Grandtop owned or had received valid acceptances of the Offer in respect of a total of 66,587,312 Birmingham City Shares representing in aggregate approximately 81.7 per cent. of the current issued ordinary share capital of Birmingham City. As a result, the Offer is now unconditional as to acceptances. However, the Offer is still subject to the Offer conditions set out in the Offer Document and is still conditional on approval by Grandtop Shareholders.

7. Escrow Agreement

Birmingham City announced on 20 August 2009 that it had entered into an escrow agreement with Grandtop. Under this agreement, Grandtop put down a deposit of £3 million (the "Deposit") with a view to making an offer for the entire issued ordinary share capital of Birmingham City (other than the shares in Birmingham City already held by Grandtop). The Deposit was a surety for Grandtop's ability and intention to make an Offer, without which Birmingham City was unable to commit resources to considering an Offer.

If the Offer is declared unconditional in all respects, then the Deposit will be transferred to a receiving agent to be used as part of the payment to accepting shareholders under the Offer. However, if the Offer is not declared unconditional in all respects by 30 October 2009, then the Deposit will be released to Birmingham City unless certain conditions are not met. Certain of those conditions were related to the giving of the Irrevocables and are therefore no longer relevant now that the Irrevocables have been given. However, if any of the following occur, then the Deposit will not be released to Birmingham City:

1. any of the Irrevocable Givers breaches the terms of any of the Irrevocables once executed or has indicated his intention to be so in breach; or
2. any of the Birmingham City Directors or any adviser to Birmingham City indicates publicly that the Board will not or may not unanimously recommend acceptance by Birmingham City Shareholders of the Offer.

8. Recommendation

The Birmingham City Directors, who have been so advised by Shore Capital, consider that the terms of the Offer are fair and reasonable. In providing advice to the Birmingham City Directors, Shore Capital has taken into account the Birmingham City Directors' commercial assessments.

Accordingly, the Birmingham City Directors unanimously recommend that Birmingham City Shareholders accept the Offer as they have done in respect of their entire respective beneficial holdings of Birmingham City Shares, amounting in aggregate to 40,777,026 Birmingham City Shares, representing approximately 50.0 per cent. of the existing issued share capital of Birmingham City.

Yours faithfully

David Sullivan
Chairman

PART II

Additional Information

1. Responsibility

The Birmingham City Directors accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Birmingham City Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Disclosure of interests and dealings in relevant securities

Definitions

2.1 For the purposes of this section 2:

2.1.1 “acting in concert” with a party means any person acting or deemed to be acting in concert with that party for the purposes of the Takeover Code and the Offer;

2.1.2 an “arrangement” includes any indemnity or option arrangement and any agreement or understanding, formal or informal, of whatever nature relating to relevant securities which may be an inducement to deal or refrain from dealing;

2.1.3 “associate” has the meaning given in the Takeover Code and includes:

(A) the subsidiaries and associated companies of Birmingham City and companies of which Birmingham City, its subsidiaries and associated companies are associated companies. For this purpose, ownership or control of 20 per cent. or more of the equity share capital of a company is the test of associated company status;

(B) any connected adviser and persons controlling, controlled by or under the same control as any such connected adviser (except for an exempt principal trader or an exempt fund manager);

(C) any pension fund or employee benefit trust of Birmingham City or of any company covered in (A) above;

(D) any investment company, unit trust or other person whose investments an associate manages on a discretionary basis, in respect of the relevant investment accounts; and/or

(E) a company having a material trading arrangement with Birmingham City;

2.1.4 “connected adviser” means, in relation to any person, an organisation which is advising such person in relation to the Offer, its corporate broker, an organisation which is advising a person acting in concert with such person in relation to the Offer or in relation to the matter which is the reason for that person being a member of the concert party, or an organisation which is advising an associate covered in paragraph 2.1.3 above in relation to the Offer;

2.1.5 “connected person” means any person whose interest in shares a Birmingham City Director would be taken to be interested pursuant to Part 22 of the Companies Act 2006 and related regulations;

2.1.6 “control” means an interest, or interests, in shares or securities carrying in aggregate 30 per cent. or more of the voting rights attributable to the capital of a company which are currently exercisable at a general meeting, irrespective of whether such interest or interests give *de facto* control (and “controlling” and “controlled by” shall be construed accordingly);

2.1.7 “dealing” or “dealt” means:

(A) acquiring or disposing of securities, or the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to securities, or of general control of securities;

(B) taking, granting, acquiring, disposing of, entering into, closing out, terminating, exercising or varying an option (including a traded option contract) in respect of any securities;

- (C) subscribing or agreeing to subscribe for securities;
 - (D) exercising or converting, whether in respect of new or existing securities, any securities carrying conversion or subscription rights;
 - (E) acquiring, disposing of, entering into, closing out, exercise of any rights under, or varying, a derivative referenced, directly or indirectly, to securities;
 - (F) entering into, terminating or varying the terms of any agreement to purchase or sell securities; and
 - (G) any other action resulting, or which may result, in an increase or decrease in the number of securities in which a person is interested or in respect of which he has a short position;
- 2.1.8 “derivative” means any financial product whose value, in whole or in part, is determined directly or indirectly by reference to the price of an underlying security;
- 2.1.9 “disclosure date” means 25 September 2009 (being the latest practicable date prior to the posting of this document);
- 2.1.10 “disclosure period” means the period commencing on 12 August 2008 (being 12 months prior to the commencement of the Offer Period) and ending on the disclosure date;
- 2.1.11 a person having an “interest”, or being “interested”, in any securities includes where a person:
- (A) owns securities;
 - (B) has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to securities or has general control of them;
 - (C) by virtue of any agreement to purchase, option or derivative, has the right or option to acquire securities or call for their delivery or is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or
 - (D) is party to any derivative whose value is determined by reference to the price of securities and which results, or may result, in his having a long position in them;
- 2.1.12 “paragraph 1 associate” means, in relation to a company, its parent, subsidiaries and fellow subsidiaries, their associated companies, and companies of which such parent, subsidiaries, fellow subsidiaries or associated companies are associated companies (for this purpose, ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of “associated company” status);
- 2.1.13 “relevant Birmingham City securities” means:
- (A) Birmingham City Shares and any other securities of Birmingham City conferring voting rights; and
 - (B) any securities convertible into or rights to subscribe for the securities of Birmingham City, described in (A) above.
- 2.1.14 “relevant Grandtop securities” means:
- (A) Grandtop Shares and any other securities of Grandtop conferring voting rights; and
 - (B) any securities convertible into or rights to subscribe for the securities of Grandtop described in (A) above.
- 2.1.15 “relevant securities” means relevant Birmingham City securities or relevant Grandtop securities; and
- 2.1.16 “short position” means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery.

2.2 *Interests in relevant Birmingham City securities*

2.2.1 As at the close of business on the disclosure date, the interests of the Birmingham City Directors, all of which are beneficial unless otherwise stated, in relevant Birmingham City securities were as follows:

<i>Party</i>	<i>Type of security</i>	<i>Number</i>
David Sullivan*	Ordinary shares of 10p	19,924,827
David Gold	Ordinary shares of 10p	10,619,786
Ralph Gold	Ordinary shares of 10p	10,212,413
Michael Wiseman	Ordinary shares of 10p	20,000

* David Sullivan's interests are held through Roldvale Ltd and Associated Pension Scheme and Conegate Limited

2.3 *General*

2.3.1 Save as disclosed in this section 2, as at the close of business on the disclosure date:

- (a) none of Birmingham City, the Birmingham City Directors (including any members of such directors' respective immediate families, related trusts or connected persons) had an interest in or a right to subscribe for, or had any short position in relation to, any relevant Birmingham City securities nor had any such person dealt in any relevant Birmingham City securities during the Offer Period;
- (b) no paragraph 1 associate of Birmingham City had any interest in, or right to subscribe for, or had any short position in relation to, any relevant Birmingham City securities nor had any such person dealt in any relevant Birmingham City securities during the Offer Period;
- (c) no pension fund of Birmingham City or of a paragraph 1 associate of Birmingham City had any interest in or right to subscribe for, or had any short position in relation to, any relevant Birmingham City securities nor had any such person dealt in any relevant Birmingham City securities during the Offer Period;
- (d) no employee benefit trust of Birmingham City or of a paragraph 1 associate of Birmingham City had any interest in or right to subscribe for, or had any short position in relation to, relevant Birmingham City securities nor had any such person dealt in any relevant Birmingham City securities during the Offer Period;
- (e) no connected adviser to Birmingham City or to a paragraph 1 associate or to a person acting in concert with Birmingham City, nor any person controlling, controlled by or under the same control as any such connected adviser (except for an exempt principal trader or exempt fund manager) had any interest in or right to subscribe for, or had any short position in relation to, any relevant Birmingham City securities nor had any such person dealt in any relevant Birmingham City securities during the Offer Period;
- (f) no person who has an arrangement with Birmingham City or with a paragraph 1 associate of Birmingham City had any interest in or right to subscribe for, or had any short position in relation to, any relevant Birmingham City securities nor had any such person dealt in any relevant Birmingham City securities during the Offer Period;
- (g) neither Birmingham City nor any of the Birmingham City Directors (including any members of such directors' respective immediate families, related trusts or connected persons) had any interest in or right to subscribe for, or had any short position in relation to, any relevant Grandtop securities nor had any such person dealt in any relevant Grandtop securities during the Offer Period;
- (h) Birmingham City had not redeemed or purchased any relevant Birmingham City securities during the disclosure period; and
- (i) neither Birmingham City nor any person acting in concert with Birmingham City had borrowed or lent any relevant Birmingham City securities, save for any borrowed shares which have either been on-lent or sold.

3. Irrevocable undertakings

- 3.1 Irrevocable undertakings to accept, or to procure the acceptance of the Offer have been given to Grandtop in respect of the following Birmingham City Shares:

<i>Party</i>	<i>Number</i>	<i>Approximate percentage of Birmingham City Shares</i>
Roldvale Pension Scheme*	10,924,137	13.40%
Conegate Limited*	9,000,690	11.04%
David Gold	10,619,786	13.03%
Ralph Gold	10,212,413	12.53%
Total	40,757,026	50.01%

* David Sullivan is the sole beneficiary of Roldvale Pension Ltd and Associated Scheme and Conegate Limited

4. Service contracts for Birmingham City Directors

- 4.1 **David Sullivan** entered into an engagement letter with Birmingham City dated 14 October 2005 pursuant to which he was appointed as non-executive Chairman of Birmingham City for a term of 3 years from that date and thereafter his engagement may be terminated by the Company giving not less than 3 months' written notice. The engagement letter provides for Mr Sullivan to receive an annual fee of £10,000 for his services.

In addition, Mr Sullivan entered into an agreement with Birmingham City FC and Roldvale Limited dated 9 October 2005 pursuant to which Roldvale Limited agreed to provide Mr Sullivan's services to Birmingham City FC as a management consultant. The agreement is terminable by either party on 3 months' written notice and terminates immediately upon Mr Sullivan ceasing to be a director of Birmingham City FC or any associated company. Following a resolution of the directors of Birmingham City passed on 29 May 2007, Roldvale Limited receives an annual fee of £280,000, exclusive of VAT for Mr Sullivan's services under the agreement, together with all expenses reasonably incurred.

- 4.2 **Roger Bannister** entered into a service agreement with Birmingham City FC with effect from 1 July 2008 pursuant to which he serves as Finance Director. His employment is terminable by either party giving 12 months' written notice. His current salary is £68,612 per annum in addition to which he receives a car allowance of £12,000 per annum, and is entitled to participate in the Company's sick pay scheme and stakeholder pension scheme.

- 4.3 **David Gold** entered into an engagement letter with Birmingham City dated 14 October 2005 pursuant to which he was appointed as a non-executive director of Birmingham City for a term of 3 years from that date and thereafter his engagement may be terminated by the Company giving not less than 3 months' notice in writing. The engagement letter provides for Mr Gold to receive an annual fee of £5,000 for his services.

In addition, Mr Gold entered into an agreement with Birmingham City FC and Gold Group International Limited ("Gold Group") dated 9 October 2005 pursuant to which Gold Group agreed to provide Mr Gold's services to Birmingham City FC as a management consultant. The agreement is terminable by either party on 3 months' written notice and terminates immediately upon Mr Gold ceasing to be a director of Birmingham City FC or any associated company. Gold Group receives an annual fee of £140,000, exclusive of VAT, for Mr Gold's services under the agreement, together with all expenses reasonably incurred.

- 4.4 **Ralph Gold** entered into an engagement letter with Birmingham City dated 14 October 2005 pursuant to which he was appointed as a non-executive director of Birmingham City for a term of 3 years from that date and thereafter his engagement may be terminated by the Company giving not less than 3 months' notice in writing. The engagement letter provides for Mr Gold to receive an annual fee of £5,000 for his services.

In addition, Mr Gold entered into an agreement with Birmingham City FC and Gold Group International Limited ("Gold Group") dated 9 October 2005 pursuant to which Gold Group agreed to provide Mr Gold's services to Birmingham City FC as a management consultant. The agreement is terminable by either party on 3 months' written notice and terminates

immediately upon Mr Gold ceasing to be a director of Birmingham City FC or any associated company. Gold Group receives an annual fee of £140,000, exclusive of VAT, for Mr Gold's services under the agreement, together with all expenses reasonably incurred.

- 4.5 On 28 August 2007, the agreements between David Gold and Ralph Gold, Gold Group and Birmingham City FC were varied by a Deed of Amendment following Ralph Gold's departure from Gold Group, such that Gold Group with effect from 15 November 2007 receives an annual fee of £280,000 for the services of David Gold and is no longer obliged to provide nor receives a fee for the services of Ralph Gold.
- 4.6 **Karren Brady** entered into a service agreement with Birmingham City dated 13 February 1997, which has been amended by Deeds of Amendment dated 27 May 1999, 3 March 2003, 3 June 2003, 19 July 2004, 28 October 2006, 30 April 2007, 30 July 2007 and 17 September 2008. Pursuant to the agreement, Ms Brady serves as Managing Director of Birmingham City. Her employment may be terminated by either party on 12 months' written notice. Her current salary is £179,372 per annum. In addition, she is entitled to receive the following bonuses:
- 4.6.1 a one-off bonus payment of £520,000 payable in the event that the Birmingham City Shares held by David Sullivan, David Gold or Ralph Gold (or their respective companies) are sold and her employment terminates; and
- 4.6.2 a bonus payment of £260,000 for every football season commencing and including the 2009/10 season that Birmingham City FC plays in the Premier League.

Ms Brady also receives the following benefits:

- 4.6.3 use of a fully expensed company car in accordance with the car policy of Birmingham City from time to time;
- 4.6.4 sole and exclusive use of an executive box which will continue for a period of 12 months following the termination of her employment, at the cost of Birmingham City, including costs of food, drink and parking;
- 4.6.5 two tickets in the directors' box for each away fixture including parking which will continue for a period of 6 months following the termination of her employment;
- 4.6.6 use of a mobile telephone at the cost of Birmingham City which will continue for a period of 12 months following the termination of her employment; and
- 4.6.7 private health insurance for herself and her immediate family at the cost of Birmingham City which will continue for a period of 12 months following the termination of her employment.
- 4.7 Save as disclosed above, there are no service contracts of any director or proposed director of the Company with the Company or any of its subsidiaries and no such contract has been entered into or amended within the six months prior to the date of this document.

5. Material contracts

- 5.1 No material contracts (not being contracts entered into in the ordinary course of business) have been entered into by Birmingham City or any of its subsidiaries during the period commencing on 12 August 2007 (being the date two years before the commencement of the Offer Period) and ending on 25 September 2009 (being the last practicable date prior to posting of this document).

6. Other information

- 6.1 Save as disclosed in this document, no agreement, arrangement or understanding (including any compensation arrangement) exists between Birmingham City or any associate of Birmingham City and any of the directors, recent directors, shareholders or recent shareholders of Birmingham City or any person interested in or recently interested in Birmingham City Shares having any connection with or dependence upon the Offer.
- 6.2 Save as disclosed in this document, there has been no known material change in the financial or trading position of Birmingham City since 31 August 2008, being the date to which the latest audited accounts for Birmingham City were published.

- 6.3 Save as disclosed in this document, no proposal exists in connection with the Offer that any payment or other benefit shall be made or given by Grandtop to any of the Birmingham City Directors as compensation for loss of office or as consideration for, or in connection with, his retirement from office.
- 6.4 Shore Capital has given and not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which it appears.

7. Bases of calculations and sources of information

The value placed by the Offer on the existing issued ordinary share capital of Birmingham City is based on 81,505,000 Birmingham City Shares being in issue on 25 September 2009, being the last practicable date prior to publication of this document.

8. Documents on display

Copies of the following documents will be available for inspection during normal business hours on any weekday at the offices of HBJ Gateley Wareing LLP, 2 Fleet Place Holborn Viaduct, London, EC4M 7RF during the Offer Period:

- 8.1 the memorandum and articles of association of Birmingham City;
- 8.2 the audited consolidated accounts of Birmingham City for the last two financial years;
- 8.3 the service contracts of the Birmingham City Directors referred to in paragraph 4 above;
- 8.4 the Irrevocables referred to in paragraph 6 of Part I and paragraph 3 of Part II of this document;
- 8.5 the escrow agreement referred to in paragraph 7 of Part I of this document;
- 8.6 the letter of consent referred to in paragraph 6.4 of Part II of this document; and
- 8.7 this document.

28 September 2009

Definitions

The following definitions apply in this document unless the context requires otherwise:

“Birmingham City” or the “Company”	Birmingham City plc, incorporated in England and Wales with registered number 3304408
“Birmingham City Directors”	the directors of Birmingham City, whose names are set out on page 3 of this document
“Birmingham City FC” or the “Club”	Birmingham City Football Club plc, a wholly owned subsidiary of Birmingham City
“Birmingham City Preference Shareholders”	the holders of Birmingham City Preference Shares
“Birmingham City Preference Shares”	4.2% redeemable cumulative preference shares of 50p each in the share capital of Birmingham City
“Birmingham City Shares”	the existing unconditionally allotted or issued and fully paid ordinary shares of 10p each in the share capital of Birmingham City and any further ordinary shares which are unconditionally allotted or issued and fully paid before the close of the Offer
“Birmingham City Shareholders”	the holders of Birmingham City Shares
“Board of Birmingham City” or the “Board”	the board of directors of Birmingham City
“Business Day”	a day, not being a public holiday, Saturday or Sunday, on which clearing banks in London are open for normal business
“Closing Price”	the closing middle market price of Birmingham City Shares as derived from the London Stock Exchange
“Grandtop”	Grandtop International Holdings Limited
“Grandtop Shareholders”	the holders of Grandtop Shares
“Grandtop Shares”	ordinary shares of HK\$0.01 each in the share capital of Grandtop
“Irrevocable Givers”	David Sullivan, David Gold and Ralph Gold, together with their associated entities which are interested in Birmingham City Shares
“Irrevocables”	irrevocable undertakings by the Irrevocable Givers to accept or to procure the acceptance of the Offer
“London Stock Exchange”	London Stock Exchange plc
“Offer”	the recommended cash offer being made by Grandtop to acquire all the Birmingham City Shares, other than Birmingham City Shares already owned by Grandtop or contracted to be acquired by Grandtop, and any subsequent extension of such offer
“Offer Announcement”	the announcement dated 21 August 2009 of Grandtop’s firm intention to make the Offer
“Offer Document”	the document issued on behalf of Grandtop dated 15 September 2009 containing and setting out the terms and conditions of the Offer
“Offer Period”	the period commencing on 12 August 2009
“Shore Capital”	Shore Capital and Corporate Limited
“Takeover Code”	the UK City Code on Takeovers and Mergers
“UK”	the United Kingdom of Great Britain and Northern Ireland

