

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. It contains resolutions to be voted on at an extraordinary general meeting of the Company to be held at 11 a.m. on 21 October 2016. If you are in any doubt about the contents of this Document or as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the FSMA, who specialises in advising on the acquisition of shares and other securities.

If you have sold or otherwise transferred all of your Existing Ordinary Shares, please immediately forward this Document, together with the accompanying Form of Proxy and/or Form of Direction, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. Such documents should, however, not be forwarded to or transmitted into any jurisdiction outside of the UK. Any failure to comply with such restriction may constitute a violation of the securities laws of any such jurisdiction. If you have sold only part of your holding of Existing Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The London Stock Exchange has not itself examined or approved the contents of this Document.

The Existing Ordinary Shares are admitted to trading on AIM. Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence on 25 October 2016. The New Ordinary Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares, and will rank in full for all dividends and other distributions declared, made or paid on Ordinary Shares after Admission.

This Document contains no offer of transferable securities to the public within the meaning of section 102B of the FSMA, the Companies Act 2006 or otherwise. Accordingly, this Document does not constitute a prospectus within the meaning of section 85 of the FSMA and has not been drawn up in accordance with the Prospectus Rules or approved by the FCA or any other competent authority. It is emphasised that no application is being made for admission of the Existing Ordinary Shares or the New Ordinary Shares to the Official List of the United Kingdom Listing Authority.

Bagir Group Ltd.

(incorporated and registered in Israel with company number 513994806)

Proposed Subscription and Placing of 183,236,754 new Ordinary Shares at a price of 3.5 pence per Ordinary Share, issue of 20,551,247 new Ordinary Shares to the Lenders

and

Notice of Extraordinary General Meeting

This Document should be read as a whole. However, your attention is drawn to the letter from the Non-Executive Chairman of the Company which is set out on pages 10 to 16 of this Document and which contains the Directors' unanimous recommendation that you vote in favour of the Fundraising Resolutions to be proposed at the Extraordinary General Meeting.

Nplus1 Singer Advisory LLP ("**N+1 Singer**"), which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser and broker to the Company in connection with the Placing and will not be acting for any other person (including a recipient of this Document) or otherwise be responsible to any person for providing the protections afforded to clients of N+1 Singer or for advising any other person in respect of the Fundraising or any transaction, matter or arrangement referred to in this Document. N+1 Singer's responsibilities as the Company's nominated adviser and broker are owed solely to London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this Document.

Apart from the responsibilities and liabilities, if any, which may be imposed on N+1 Singer by FSMA or the regulatory regime established thereunder, N+1 Singer does not accept any responsibility whatsoever for the contents of this Document, including its accuracy, completeness or verification or for any other statement made

or purported to be made by it, or on its behalf, in connection with the Company or the Fundraising. N+1 Singer accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) in respect of this Document or any such statement.

Notice of an Extraordinary General Meeting of Bagir Group Ltd., to be held at the offices of N+1 Singer, One Bartholomew Lane London EC2N 2AX at 11 a.m. on 21 October 2016 is set out at the end of this Document. To be valid, the accompanying Form of Proxy and/or Form of Direction for use in connection with the Extraordinary General Meeting should be completed, signed and returned as soon as possible and, in any event, so as to reach the Company's registrars, Capita Asset Services, Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by not later than 11 a.m. on 19 October 2016. Completion and return of Forms of Proxy and/or Forms of Direction will not preclude Shareholders from attending and voting at the Extraordinary General Meeting should they so wish.

A copy of this Document will be made available from the Company's website, www.bagir.com in accordance with AIM Rule 20. The Placing described in this Document is only being made in the United Kingdom. This Document does not constitute or form part of any offer or instruction to purchase, subscribe for or sell any shares or other securities in the Company in any other jurisdiction, specifically in any jurisdiction in which such offer or instruction would be unlawful, nor shall it or any part of it or the fact of its distribution form the basis of, be relied on in connection with or act as any inducement to, enter into any contract or commitment for any securities. The distribution of this Document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this Document and/or the accompanying Form of Proxy and/or Forms of Direction comes should inform themselves about and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

Forward-looking statements

This Document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will", or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this Document and include statements regarding the Directors' current intentions, beliefs or expectations concerning, among other things, the Company's results of operations, financial condition, liquidity, prospects, growth, strategies and the Company's markets.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Actual results and developments could differ materially from those expressed or implied by the forward-looking statements.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this Document are based on certain factors and assumptions, including the Directors' current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company's operations, results of operations, growth strategy and liquidity. Whilst the Directors consider these assumptions to be reasonable based upon information currently available, they may prove to be incorrect. In addition, the fulfilment or non-fulfilment of such forward-looking statements is affected by factors which cannot be determined in advance and are not under the control of the Company, including without limitation, third parties, changes in market conditions and risk factors characterizing the Company's activities. These forward-looking statements speak only as of the date of this Document and, save as required by law or by the AIM Rules, the Company undertakes no obligation to publicly release the results of any revisions to any forward-looking statements in this Document that may occur due to any change in the Directors' expectations, to reflect events or circumstances or to revise or amend these forward-looking statements, after the date of this Document.

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FUNDRAISING STATISTICS

Number of Existing Ordinary Shares	50,428,660
Issue Price per Placing Share and Subscription Share	3.5 pence
Number of Lender Shares	20,551,247
Number of Subscription Shares being issued by the Company	56,048,000
Number of Placing Shares placed on behalf of the Company	127,188,754
Enlarged Share Capital following Admission of the New Ordinary Shares	254,216,661
Number of Placing Shares and Subscription Shares as a percentage of the Enlarged Share Capital	72 per cent.
Number of Lender Shares as a percentage of the Enlarged Share Capital	8.08 per cent.
Total gross proceeds of the Fundraising	\$8.5 million
Estimated net proceeds of the Fundraising receivable by the Company	\$8.1 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this Document	15 September 2016
Latest time and date for receipt of Form of Proxy and/or Form of Direction	10.00 a.m. on 19 October 2016
Extraordinary General Meeting	10.00 a.m. on 21 October 2016
Admission and commencement of dealings in the New Ordinary Shares on AIM	8.00 a.m. on 25 October 2016

Each of the above dates is subject to change at the absolute discretion of the Company and N+1 Singer and if any of the above times or dates should change, the revised times and/or dates will be notified by an announcement on a regulatory information service. All times are UK times.

DIRECTORS AND ADVISERS

Directors

Tessa Laws, *Non-Executive Chairman*
Eran Itzhak, *Chief Executive Officer*
Udi Cohen, *Chief Financial Officer and Deputy CEO*
Samuel Vlodinger, *Non-Executive Director*
Donald Stewart, *Non-Executive Director*
Fiona Holmes, *Non-Executive Director*
Marc Zalcman, *Non-Executive Director*

all of:

44 Israel Pollack Rd.
Industrial area, Kiryat Gat
82101
Israel

Company Secretary

Inbal Gedalia Adv.
Lipa Meir & Co
Beit Amot Hashkaot
2 Weizmann St.
Tel-Aviv 64239, Israel

Nominated Adviser and Broker

Nplus1 Singer Advisory LLP
One Bartholomew Lane
London
EC2N 2AX

Legal Advisers to the Company

Kuit Steinart Levy LLP
3 St Mary's Parsonage
Manchester
M3 2RD

Israeli Legal Advisers to the Company

Lipa Meir & Co.
Beit Amot Hashkaot
2 Weizmann Street
Tel Aviv 64239
Israel

Legal Advisers to the Nominated Adviser

Stephenson Harwood LLP
1 Finsbury Circus
London
EC2M 7SH

Registrars

Capita Registrars (Guernsey) Limited
Mont Crevelt House
Bulwer Avenue, St Sampson
Guernsey GY2 4LH

Depositary

Capita IRG Trustees Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

DEFINITIONS

The following definitions apply throughout this Document unless the context otherwise requires:

“Admission”	the admission of the New Ordinary Shares to trading on AIM following completion of the Fundraising;
“AIM”	the AIM market operated by the London Stock Exchange;
“AIM Rules”	the AIM Rules for Companies and guidance notes published by the London Stock Exchange from time to time;
“Articles”	the Company’s articles of association currently in force;
“Audit Committee”	the Board’s audit committee;
“Bank Leumi”	Bank Leumi Le Israel B.M.;
“certificated form” or “in certificated form”	an ordinary share recorded on a company’s share register as being held in certificated form (namely, not in CREST);
“Company” or “Bagir”	Bagir Group Ltd., a company incorporated and registered in the State of Israel with company number 513994806;
“Companies Law”	the Israeli Companies Law, 5759-1999;
“Controlling Member”	a Shareholder who has the ability to direct the Company’s actions, including any Shareholder who holds 25% or more of the voting rights (if there is no other Shareholder who holds more than 50% of the voting rights in the Company); for the purposes of “holding”, two or more persons who hold voting rights in the Company, each of whom has a Personal Interest in the approval of the same transaction submitted for approval of the Company, shall be deemed as holding together;
“CREST”	the relevant computerised settlement system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in those regulations) which facilitates the transfer of title to shares in uncertificated form;
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (S.I. 2001 No. 3755) (as amended);
“Depositary Interest Holders”	holders of existing depositary interests issued by Capita IRG Trustees Limited in respect of Ordinary Shares;
“Directors” or “Board”	the directors of the Company whose names are set out on page 6 of this Document, or any duly authorised committee thereof;
“Discount Bank”	Israel Discount Bank Ltd.;
“Document”	this document;
“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST;
“Enlarged Share Capital”	the issued share capital of the Company immediately following Admission comprising the Existing Ordinary Shares and the New Ordinary Shares;
“Existing Option Plan”	the Global Incentive Option Scheme adopted by the Board on 9 September 2013;

“Existing Ordinary Shares”	the 50,428,660 Ordinary Shares in issue at the date of this Document, all of which are admitted to trading on AIM and being the entire issued ordinary share capital of the Company;
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at the offices of N+1 Singer, One Bartholomew Lane London EC2N 2AX at 10.00 a.m. on 21 October 2016, notice of which is set out at the end of this Document;
“FCA”	UK Financial Conduct Authority;
“Form of Proxy”	the form of proxy for use in connection with the Extraordinary General Meeting which accompanies this Document;
“FSMA”	the Financial Services and Markets Act 2000 (as amended);
“Fundraise” or “Fundraising”	the Placing and the Subscription;
“Fundraising Resolutions”	Resolution 1 and Resolution 3;
“Group”	the Company and its subsidiaries as at the date of this Document;
“Issue Price”	3.5 pence per Placing Share and Subscription Share;
“Lenders”	Bank Leumi and Discount Bank;
“Lender Shares”	the 20,551,247 Ordinary Shares to be issued to the Lenders on Admission, as to 60 per cent. to Bank Leumi and as to 40 per cent. to Discount Bank;
“London Stock Exchange”	London Stock Exchange plc;
“New Ordinary Shares”	the Placing Shares, the Subscription Shares and the Lender Shares;
“Nominated Adviser” or “N+1 Singer”	Nplus1 Singer Advisory LLP, the Company’s nominated adviser and broker;
“Notice of Extraordinary General Meeting”	the notice convening the Extraordinary General Meeting which is set out at the end of this Document;
“Ordinary Shares”	the ordinary shares of 0.04 New Israeli Shekels each in the capital of the Company;
“Personal Interest”	as defined by the Companies Law, includes a personal interest of any person in an act, omission to act, or transaction of the Company, including a personal interest of his relative or of a corporation in which that person or a relative of that person is a 5 per cent. or greater Shareholder, a holder of 5 per cent. or more of the voting rights, a director or general manager, or in which he or she has the right to appoint at least one director or the general manager, and includes shares for which the person has the right to vote pursuant to a power of attorney. A “personal interest” does not apply to a personal interest solely arising from holding shares in the Company;
“Placing”	the conditional placing of the Placing Shares by N+1 Singer, as agent on behalf of the Company, pursuant to the Placing Agreement, further details of which are set out in this Document;
“Placing Agreement”	the conditional agreement dated 15 September 2016 made between N+1 Singer and the Company in relation to the Placing;

“Placing Shares”	the 127,188,754 new Ordinary Shares to be issued pursuant to the Placing;
“Proposals”	the Fundraising together with the issue of the Lender Shares and other related matters as more fully described in this Document;
“Prospectus Rules”	the prospectus rules made by the FCA pursuant to section 73A of the FSMA;
“Resolutions”	the resolutions set out in the Notice of Extraordinary General Meeting;
“Remuneration Committee”	the Board’s remuneration committee;
“Shareholders”	holders of the Existing Ordinary Shares;
“Special Resolution”	approval of 75 per cent. of the Shareholders who are in attendance and voting at the Extraordinary General Meeting, either in person or by proxy;
“Subscribers”	Barinboim Properties Ltd. and Man Capital Holdings Ltd.;
“Subscription”	the conditional Subscription by the Subscribers for the Subscription Shares;
“Subscription Shares”	the 56,048,000 Ordinary Shares to be issued to the Subscribers;
“UK”	the United Kingdom of Great Britain and Northern Ireland;
“uncertificated” or “in uncertificated form”	an Ordinary Share recorded on a company’s share register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST; and
“VWAP”	volume weighted average price.

LETTER FROM THE CHAIRMAN OF BAGIR GROUP LTD

Bagir Group Ltd.

(incorporated and registered in Israel with company number 513994806)

Directors:

Tessa Laws, *Non-Executive Chairman*
Eran Itzhak, *Chief Executive Officer*
Udi Cohen, *Chief Financial Officer and Deputy CEO*
Samuel Vlodinger, *Non-Executive Director*
Donald Stewart, *Non-Executive Director*
Fiona Holmes, *Non-Executive Director*
Marc Zalcman, *Non-Executive Director*

Registered Office:

44 Israel Pollack Rd.
Industrial area
Kiryat Gat
82101
Israel

15 September 2016

Dear Shareholders and Depositary Interest Holders,

Proposed Subscription and Placing of 183,236,754 new Ordinary Shares at a price of 3.5 pence per Ordinary Share, proposed issue of 20,551,247 new Ordinary Shares to the Lenders and

and

Notice of Extraordinary General Meeting

1. Introduction

On 15 September 2016 Bagir announced a conditional placing by N+1 Singer, acting as the Company's nominated adviser and broker, together with a conditional subscription with certain subscribers, to raise an aggregate of approximately \$8.5 million from the issue and allotment by the Company of 183,236,754 new Ordinary Shares at the Issue Price.

The Placing Shares have been conditionally placed with specific institutional and other investors and the Subscription Shares subscribed by the Subscribers, subject, amongst other things, to the passing of the Fundraising Resolutions at the Extraordinary General Meeting, which are being proposed, amongst other things, to grant the Directors the necessary authority and power to issue and allot the Placing Shares and the Subscription Shares for cash on a non-pre-emptive basis, and Admission. The Fundraising is also conditional on the Company having received, prior to Admission, a release from the Lenders of their security over the issuance of the New Ordinary Shares. The appropriate Board and Audit Committee resolutions approving the Fundraising have already been passed.

The purpose of this Document is to provide you with information about the background to and the reasons for the Proposals, to explain why the Board considers the Proposals to be in the best interests of the Company, its Shareholders and Depositary Interest Holders as a whole and why the Directors unanimously recommend that you vote in favour of the Fundraising Resolutions to be proposed at the Extraordinary General Meeting. In addition, the Directors (with the exception of Eran Itzhak and Udi Cohen who are refraining from giving a recommendation by virtue of their interest in Resolution 2 (grant of share options)) unanimously recommend that you vote in favour of Resolution 2.

Background to and reasons for the Proposals

The Company intends to raise approximately \$8.5 million (before expenses) by way of a Placing and the Subscription from both existing and new shareholders. The Issue Price represents a discount of 12.5 per cent. to closing bid-price of 4 pence on 14 September 2016 being the last business day immediately prior to the announcement of the Proposals.

The net proceeds from the Fundraising will be used to repay the Lenders and the balance will be used as working capital to support the Group's business operations.

The Directors believe that there is currently an opportunity to raise funds from a small number of institutional and other investors rather than by offering all Shareholders and Depositary Interest Holders the opportunity to acquire further shares. The Directors believe that the additional cost and delay incurred in connection with any such offer would not have been in the best interests of the Company.

2. Background to and reasons for the Fundraising

On 25 July 2016 the Company announced that it had reached an agreement with its Lenders to clear all outstanding bank debt (approximately \$21 million). This agreement is conditional on the following conditions being fulfilled prior to 31 December 2016:

- a cash payment of \$6.3m to the Lenders; and
- the issue and allotment of the Lender Shares to the Lenders so that together with the existing shares of the Lenders, their percentage of the enlarged share capital would be 8.33%.

In addition, if the Company were to generate annual EBITDA above \$6.5m in any year between 2016 and 2024 then a contingent payment of 50% of the EBITDA excess over \$6.5m in any year would become payable to the Lenders up to a maximum of \$8.0m.

Upon fulfilment of the aforementioned conditions, any liens, mortgages, and guarantees created in favour of the Lenders will be cancelled. Accordingly, in order to affect the Fundraising, the Lenders will be requested to release their security to enable the issuance of the New Ordinary Shares.

The purpose of the Fundraising is, therefore, to raise sufficient funds from which the Company can meet the cash element of the conditional agreement with the Lenders, with the balance of the net proceeds of the Fundraising to be used for general working capital purposes for the Group.

3. Current trading

The Company announced its interim results for the period to 30 June 2016 earlier today. These interim results contained a review of the period to 30 June 2016 together with details of any material events since the period end. Trading since 30 June 2016 has been in line with Director's expectations.

4. Outlook

As announced as part of its interims results, the Company has a clearly defined strategy and is continuing to implement its turnaround plan. This is made up of a recovery plan, comprising an operational strategy, marketing strategy and cost reduction strategy, together with a refinancing plan centred around the agreement that the Company has reached with its Lenders as set out in more detail above.

Operational strategy

Key to the Group's recovery plan is its operational strategy. Moving forward, the Group plans to close its existing factories in China and Romania by the end of the current financial year following which it will focus only on its core manufacturing facilities in Vietnam, Egypt and Ethiopia. The changes made have created strong competitive advantages as a result of their combined duty free export status for sales to both the EU and US, highly competitive production costs and local governmental support for the textile industry.

Ethiopia is the Group's newest manufacturing facility and is where the Directors see high growth potential. Current production rates are 900 trousers per day which the Directors expect will increase significantly in the short-to-medium term. Additional product lines, such as jackets, are also expected to be brought into production during 2017. Importantly, going forward the Directors consider there to be significant potential demand internationally for garments produced in Ethiopia. With increased investment in this facility, the Directors anticipate being able to increase production rates considerably. This is based, in part, on the relatively low costs of production in Ethiopia when compared with other jurisdictions such as China.

As announced at the time of the Company's full year results for the period ended 31 December 2015, further costs savings have been identified and, at the same time, important operational changes, such as a new

pricing model with discounts for larger orders, moving entirely to free on board (FOB) delivery, imposing minimum order qualities and relocating the sample production rooms from Israel to the production sites themselves, are expected by the Directors to improve gross margins.

Marketing strategy

Key to the Group's marketing strategy going forward will be to seek to change the current customer mix and target new customers who are likely to provide larger order volumes. The rationale for this is two-fold since it not only serves to better diversify the Group's customer concentration but also, importantly, larger order volumes are inherently more profitable for the Group.

The Group is currently in discussions with a number of potential new customers, which the Directors are optimistic will lead to significant orders in the future. These discussions are all at varying stages of development, ranging from initial approaches to producing sample orders and price negotiations. Further announcements will be made at the appropriate time.

At the same time, the Group is extremely proud of its long track record in innovation and Company plans to renew its investment in that area. The Company currently has 8 new concepts under development and considers innovation to be an extremely important tool in setting pricing levels and maintaining margins as well as in attracting new customers.

Further important initiatives are aimed at extending the product range and seeking to grow the amount of the Group's online business, whether through targeting customers with leading online distribution platforms or direct sales through online distribution platforms such as Amazon.

5. Details of the Fundraising

The Company proposes to raise approximately \$8.1 million (net of expenses) through the issue of the Placing Shares and the Subscription Shares at the Issue Price, which represents a discount of 12.5 per cent. to closing bid-price of 4 pence on 14 September 2016 being the last business day immediately prior to the announcement of the Proposals. Having considered the price at which the Ordinary Shares are currently traded, and other market factors, the Directors have resolved that the Issue Price is appropriate. The Placing Shares and the Subscription Shares will represent 72 per cent. of the Company's issued ordinary share capital immediately following Admission.

Pursuant to the terms of the Placing Agreement, N+1 Singer, as agent for the Company, has conditionally agreed to use its reasonable endeavours to place the Placing Shares with certain institutional and other investors. The Placing Agreement is conditional upon, amongst other things, the Company having received, prior to Admission, a release from the Lenders of their security to enable the issuance of the New Ordinary Shares, the Fundraising Resolutions being duly passed at the Extraordinary General Meeting and Admission becoming effective on or before 8.00 a.m. on 25 October 2016 (or such later time and/or date as the Company and N+1 Singer may agree, but in any event by no later than 8.00 a.m. on 11 November 2016).

The Placing Agreement contains warranties from the Company in favour of N+1 Singer in relation to, amongst other things, the accuracy of the information in this Document and other matters relating to the Group and its business. In addition, the Company has agreed to indemnify N+1 Singer and its affiliates in relation to certain liabilities they may incur in respect of the Placing. N+1 Singer can terminate the Placing Agreement at any time prior to Admission in certain circumstances, including in the event of a material breach of the warranties given in the Placing Agreement, the failure of the Company to comply with its obligations under the Placing Agreement or the occurrence of a force majeure event which, in N+1 Singer's reasonable opinion, may be material and adverse to the Company or the Placing, or a material adverse change affecting the financial position or business or prospects of the Company. If this right is exercised the Placing will not proceed. The Placing has not been underwritten by N+1 Singer.

The Subscribers are subscribing for the Subscription Shares at the Issue Price pursuant to the terms of subscription agreements which are conditional upon, amongst other things, completion of the Placing, the Fundraising Resolutions being duly passed at the Extraordinary General Meeting and Admission becoming effective.

The Company has agreed to pay certain fees and commissions to N+1 Singer in respect of the Fundraising.

Application will be made for Admission and it is expected that Admission will become effective and that dealings in the Placing Shares and the Subscription Shares will commence at 8.00 a.m. on 25 October 2016.

The Placing Shares and the Subscription Shares will, when issued, rank pari passu in all respects with the Existing Ordinary Shares and the Lender Shares including the right to receive dividends and other distributions declared following Admission.

6. Director dealing and related party transaction

Certain of the directors of the Company are participating in the Fundraising at the Issue Price as described below:

	<i>Amount subscribed (£)</i>	<i>Number of Placing Shares</i>	<i>Number of shares post Admission</i>	<i>Percentage of Enlarged Share Capital post Admission</i>
Tessa Laws	10,000	286,000	310,390	0.12%
Eran Itzhak	10,000	286,000	286,000	0.11%
Samuel Vlodinger	10,000	286,000	419,333	0.16%
Donald Stewart	5,000	143,000	143,000	0.06%
Marc Zalcman*	—*	—*	—	—

* Marc Zalcman owns the entire issued share capital of Man Capital Holdings Ltd. which owns 2.08% of the current issued share capital of the Company. Man Capital Holdings Ltd. also owns 14 per cent. of S.G. Textile Holdings Ltd. S.G. Textile Holdings Ltd. owns 1.14 per cent. of the issued share capital of the Company. The remaining 86 per cent. of S.G. Textile Holdings Ltd is owned by Siverboim Holdings Ltd., a company wholly owned by Zvika Barinboim. Zvika Barinboim is also the sole owner of Barinboim Properties Ltd, a substantial Shareholder of the Company. Man Capital Holdings Ltd. is subscribing for 7,846,720 shares as part of the Fundraising.

The participation by such Directors in the Placing constitutes related party transactions for the purposes of the AIM Rules. The independent directors for the purposes of the Placing (being the remaining Directors not participating in the Placing and comprising Fiona Holmes and Udi Cohen), having consulted with the Company's nominated adviser, N+1 Singer, consider that the terms of the related party transaction are fair and reasonable insofar as the Shareholders are concerned.

7. Substantial Shareholders and related party transaction

The following Shareholders holding, as at the date of this Document, directly or indirectly, 10 per cent. or more of the Existing Ordinary Shares are participating in the Fundraising at the Issue Price:

	<i>As at the date of this Document</i>		<i>Immediately following Admission</i>	
	<i>No. of Ordinary Shares</i>	<i>Percentage of Existing Share Capital</i>	<i>No. of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>
Hargreave Hale	8,727,570	17.31%	51,516,324	20.26%
Miton Asset Management	7,532,492	14.94%	45,758,492	18.00%
Barinboim Properties Ltd.*	6,429,670	12.75%	54,630,950	21.49%

* Barinboim Properties Ltd. also owns the entire issued share capital of Siverboim Holdings Ltd. which in turns owns 86 per cent. of S.G. Textile Holdings Ltd. S.G. Textile Holdings Ltd. owns 1.14 per cent. of the issued share capital of the Company. The remaining 14 per cent. of S.G. Textile Holdings Ltd is owned by Man Capital Holdings Ltd., a company wholly owned by Marc Zalcman a Director of the Company.

The participation in the Fundraising by such substantial Shareholders in the Company constitute related party transactions for the purposes of the AIM Rules. The independent directors (comprising those Directors unconnected to such substantial Shareholders being Tessa Laws, Samuel Vlodinger, Donald Stewart, Udi Cohen, Eran Itzhak and Fiona Holmes), having consulted with the Company's nominated adviser, N+1 Singer, consider that the terms of the related party transaction are fair and reasonable insofar as Shareholders are concerned.

8. Incentivisation plan

The Company has achieved a significant turnaround during the first six months of 2016 and the Directors are looking forward to the future with confidence. However, as with all strategies, the execution of the Company's plans and realisation of its current potential depends to a large extent on the executive management team. Therefore, in order to ensure that the executive management team are suitably incentivised and that their interests are correctly aligned with the interests of Shareholders, the Company is proposing to grant the Company's key employees, including its CEO, Eran Itzhak, and the Company's CFO and Deputy CEO, Udi Cohen, who are also Directors, further options exercisable into Ordinary Shares under the Existing Option Plan. The number of options proposed to be granted to the Company's CEO and CFO are as follows:

<i>Director</i>	<i>Position</i>	<i>Existing share option</i>	<i>Proposed new options to be granted</i>	<i>Number of options following grant</i>	<i>Percentage of granted options of fully diluted share capital</i>
Eran Itzhak	CEO	1,383,350	6,705,362	8,088,712	2.80%
Udi Cohen	CFO	1,405,425	5,238,874	6,644,299	2.30%

(the "Incentivisation Options").

The key features of the Incentivisation Options are as follows:

- vesting of options is to be based on certain stretch targets as follows:
 - 25 per cent. on grant;
 - 25 per cent. once the Company's share price is 8 pence or above measured on a 30 day VWAP basis;
 - 25 per cent. once the Company's share price is 10 pence or above measured on a 30 day VWAP basis;
 - 25 per cent. once the Company's share price is 12 pence or above measured on a 30 day VWAP basis.
- options will be exercisable at the Issue Price. There will be the usual acceleration provisions, including in the event of a takeover. The total scheme length will be 5 years; and
- the total number of shares under the Company's Existing Option Plan will be 12 per cent. of the Company's enlarged and fully diluted share capital.

9. Applicable Israeli Law provisions

The Company has considered the various proposals described in this Document in the context of Israeli law and its Articles. The Proposals have been approved by the Board and the Audit Committee or Remuneration Committee as appropriate. The following is a summary explanation of the matters which require Shareholder approval:

Fundraising – General

The authority of the Company to issue and allot shares is reserved to the Board at such times and on such terms and conditions as the Board may determine, subject to the limit on the Company's registered share capital, which may be amended by an ordinary shareholder resolution of the Company. The registered share

capital of the Company is therefore to be increased pursuant to Resolution 1 to enable the issue and allotment of the Placing Shares, the Subscription Shares, the Lender Shares and additional Ordinary Shares pursuant to options.

In addition, under the Articles, pre-emption rights apply in respect of the Placing Shares and the Subscription Shares (although not in respect of the Lender Shares as these are not deemed to be paid up in cash). These rights may be waived, in accordance with the Articles, pursuant to a Special Resolution of the Company.

Fundraising – Directors’ Participation

In addition, the participation of certain of the Directors in the Fundraising, as referred to in paragraph 6 of this document, requires the approval of the Shareholders, given that a majority of the Directors are participating in the Fundraising.

Fundraising – Extraordinary Transaction

Under the Companies Law, the Fundraising constitutes an “Extraordinary Transaction” of a public company with its Controlling Member, as the placees’ and Subscribers’ participation is combined for these purposes in terms of having a Personal Interest in the Fundraising and holding together 25 per cent. or more of the voting rights of the Company following completion of the Fundraising. This, therefore, requires approval at the Extraordinary General Meeting by a simple majority and the fulfilment of one of the following conditions:

- (a) a majority of votes of shareholders who do not have a Personal Interest in the approval of the transaction and who are in attendance and voting; with abstention votes of any such “non-interested” shareholders not being counted towards the required majority; or
- (b) the total dissenting votes from among the shareholders referred to in subparagraph (a) do not exceed 2 per cent. of the total voting rights in the Company.

A Shareholder with a Personal Interest in the Fundraising (which, for the avoidance of any doubt, includes any Shareholder participating in the Fundraising) is required to notify the Company in advance of the vote of his said Personal Interest; where a Shareholder does not provide such notice, he/she may not vote and his/her vote shall not be counted.

Incentivisation

The Board and the Remuneration Committee have approved the grant to the Company’s CEO, Eran Itzhak, and the Company’s CFO and Deputy CEO, Udi Cohen, of the Incentivisation Options, as set out above in paragraph 8 of this Document. Under the provisions of the Companies Law, the grant of these options also requires Shareholder approval as it is a consummation of a contract by the Company with a director as to the terms of his employment (which includes the grant of options).

10. Notice of Extraordinary General Meeting

The Company requires authority to enlarge the Company’s registered share capital, to effect the issuance and allotment of the Placing Shares and the Subscription Shares and to disapply pre-emption rights in respect of such issue and allotment; and to grant Incentivisation Options to the Company’s CEO and CFO.

The increased registered share capital of the Company will suffice for issuing and allotting the New Ordinary Shares and an amount sufficient to enable the Company to issue Ordinary Shares in respect of all outstanding options.

Notice of the Extraordinary General Meeting is set out at the end of this Document. The Extraordinary General Meeting will be held at the offices of N+1 Singer, One Bartholomew Lane London EC2N 2AX at 10.00 a.m. on 21 October 2016. The following is a summary of the Resolutions being proposed at the Extraordinary General Meeting:

Resolution 1

An ordinary resolution to (a) enlarge the Company's registered share capital by 12,013,201 New Israeli Shekels divided into 300,330,017 Ordinary Shares p.v. 0.04 New Israeli Shekels each, following which the Company's Share Capital shall amount to 14,213,201 New Israeli Shekels divided into 355,330,017 Ordinary Shares p.v. 0.04 New Israeli Shekels each; and (b) to amend the Company's Articles accordingly. This will enable the issue and allotment of the New Ordinary Shares and Ordinary Shares in respect of all outstanding options.

Resolution 2

An ordinary resolution to grant the Company's CEO, Eran Itzhak, and the Company's CFO and Deputy CEO, Udi Cohen, who are also Directors, (a) 6,705,362 and 5,238,874 (respectively) options with terms as described in paragraph 8 of this Document under the Company's Existing Option Plan.

Resolutions 1 and 2 will be proposed as ordinary resolutions and require the approval of a simple majority of Shareholders voting at the Extraordinary General Meeting, either in person or by proxy and/or by Form of Direction.

Resolution 3

A Special Resolution to approve the Fundraising and to dis-apply the pre-emption right afforded to Shareholders under the Articles with respect to the Placing Shares and the Subscription Shares. This Resolution is also subject to the fulfilment of one of the following conditions: (a) that a majority of the votes of Shareholders voting at the Extraordinary General Meeting, either in person or by proxy and/or by Form of Direction, have no Personal Interest in the approval of the Fundraising, or (b) that the total dissenting votes from among the Shareholders referred to in (a) shall not exceed two per cent. of the total voting rights in the Company.

Resolution 4

To dis-apply the pre-emptive right under the Articles with respect to the issuance and allotment of Ordinary Shares, provided that this dis-application shall be subject to the following cumulative conditions: (a) an issuance and allotment not to exceed an aggregate of 66,096,332 Ordinary Shares, representing approximately 26 per cent. of the Enlarged Share Capital; (b) the price per Ordinary Share shall not be lower than the Issue Price; and (c) unless previously revoked, varied or extended, such dis-application shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company or 15 months from the date of this Resolution, except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant shares to be issued and allotted after such expiry, and such shares may be issued and allotted in pursuance of such an offer or agreement as if this dis-application had not expired.

The directors consider it desirable that the specified amount of authorised but unissued share capital is available for issue so that they can more readily take advantage of possible opportunities.

11. Action to be taken

A Form of Proxy and/or Form of Direction for use at the Extraordinary General Meeting accompanies this Document. The Form of Proxy and/or Form of Direction should be completed and signed in accordance with the instructions thereon and returned to the Company's registrars, Capita Asset Services, Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as possible, but in any event so as to be received by no later than 10.00 a.m. on 19 October 2016. The completion and return of a Form of Proxy and/or Form of Direction will not preclude Shareholders from attending the Extraordinary General Meeting and voting in person should they so wish.

12. Recommendation

Your Board believes the Proposals to be in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors unanimously recommend that you vote in favour of the

Fundraising Resolutions to be proposed at the Extraordinary General Meeting. In addition, the Directors (with the exception of Eran Itzhak and Udi Cohen who are refraining from giving a recommendation by virtue of their interest in Resolution 2 (grant of share options)) unanimously recommend that you vote in favour of Resolution 2. Should the Fundraising Resolutions not be passed by the Shareholders and Depositary Interest Holders, and the Company is otherwise unable to secure alternative funding, then the conditions to the agreements with the Lenders will not be satisfied and the Lenders' conditional agreement to clear all of the outstanding bank debt (approximately \$21 million) will fall away. In such circumstances, the Company would be significantly financially constrained and will be required to reconsider its strategy going forwards and its short-term growth prospects are likely to be impacted negatively.

Yours sincerely

Tessa Laws

Non-Executive Chairman

Bagir Group Ltd.
(the “Company”)

(incorporated and registered in Israel with company number 513994806)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at the offices of N+1 Singer, One Bartholomew Lane London EC2N 2AX on 21 October 2016 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, of which resolution numbers 1 and 2 are proposed as ordinary resolutions and resolution number 3 is proposed as a Special Resolution:

ORDINARY RESOLUTIONS

1. Resolved, (a) to enlarge the Company’s registered share capital by 12,013,201 New Israeli Shekels divided into 300,330,017 Ordinary Shares p.v. 0.04 New Israeli Shekels each, following which the Company’s registered share capital shall amount to 14,213,201 New Israeli Shekels divided into 355,330,017 Ordinary Shares p.v. 0.04 New Israeli Shekels each; and (b) to amend the Company’s Articles accordingly;
2. Resolved, subject to and conditional upon the passing of resolution 1 above and resolution 3 below, to grant the Company’s CEO, Eran Itzhak, and the Company’s CFO and Deputy CEO, Udi Cohen the Incentivisation Options;

SPECIAL RESOLUTIONS

3. Resolved, that subject to and conditional upon the passing of resolution 1 above, (a) to approve the Fundraising, as a result of which the Placing Shares and the Subscription Shares will be issued and allotted; and (b) to dis-apply the pre-emptive right under Article 10.2 of the Articles with respect to the issuance and allotment of the Placing Shares and the Subscription Shares.

This resolution is approved as a Special Resolution and the fulfilment of one of the following conditions:

- a. a majority of votes of Shareholders who do not have a Personal Interest in the approval of the transaction and who are in attendance and voting; with abstention votes of any such “non-interested” shareholders not being counted towards the required majority; or
- b. the total dissenting votes from among the Shareholders referred to in subparagraph (a) do not exceed 2% of the total voting rights in the Company.

A Shareholder with a Personal Interest in the Fundraising (which, for the avoidance of any doubt, includes any Shareholder participating in the Fundraising) is required to notify the Company in advance of the vote of his said Personal Interest; where a Shareholder does not provide such notice, he/she may not vote and his/her vote shall not be counted.

4. To dis-apply the pre-emptive right under the Articles with respect to the issuance and allotment of Ordinary Shares, provided that this dis-application shall be subject to the following cumulative conditions: (a) an issuance and allotment not to exceed an aggregate of 66,096,332 Ordinary Shares, representing approximately 26 per cent. of the Enlarged Share Capital; (b) the price per Ordinary Share shall not be lower than the Issue Price; and (c) unless previously revoked, varied or extended, such dis-application shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company or 15 months from the date of this Resolution, except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant shares to be issued and allotted after such expiry, and such shares may be issued and allotted in pursuance of such an offer or agreement as if this dis-application had not expired.

Capitalized terms in in the foregoing resolutions 1, 2, 3 and 4, shall be given the meaning ascribed to them in the Circular to which this notice is attached.

By Order of the Board
Company Secretary – Inbal Gedalia, Adv.

Registered Office:
44 Israel Pollack Rd.
Industrial area
Kiryat Gat
82101
Israel

Dated: 15/09/2016

Notes:

1. Depository Interest Holders may only appoint Capita IRG Trustees Limited as their proxy. Should a Depository Interest Holder wish to attend, speak and vote on their number of shares held under the Trustee they must submit a request to the Trustee and ask for a Letter of Representation and this instruction is covered off in the notes on the Form of Direction.
2. To be valid, any Form of Proxy or other instrument appointing a proxy and any power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must be received by post or (during normal business hours only) by hand at Capita Asset Services, Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 10.00 a.m. on 19 October 2016.
3. Pursuant to Israel's Companies Law, 5759-1999 (the "**Companies Law**"), to be entitled to attend and vote at the Extraordinary General Meeting (and for the purpose of the determination by the Company of the votes they may cast), Depository Interest Holder must be registered in the Company's Depository Interest register at 10.00 a.m. on 19 October, 2016 (or, in the event of any adjournment, 6.00pm on the date which is two days before the time of the adjourned meeting). Changes to the Company's register after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Extraordinary General Meeting.
4. The quorum for the Extraordinary General Meeting shall be two or more shareholders present in person or by proxy. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall be adjourned to the same day in the next week, at the same time and place, or to such day and at such time and place as the Chairman may determine.
5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.
6. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with CRESTCo's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to an instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent ID (RA10) by 10.00 a.m. on 19 October, 2016. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
7. CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
8. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
9. As at 14 September 2016 (being the last business day prior to the publication of this Notice of Extraordinary General Meeting) the Company's issued share capital consisted of 50,428,660 ordinary shares of which none were held as treasury shares. Therefore, the total voting rights in the Company as at 14 September 2016 was 50,428,660.

