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## BIRMINGHAM INTERNATIONAL HOLDINGS LIMITED

### 伯明翰環球控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2309)

### ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

The board of directors (the “**Board**”) of Birmingham International Holdings Limited (the “**Company**”) presents the unaudited condensed consolidated interim results of the Company together with its subsidiaries (the “**Group**”) for the six months ended 31 December 2013 together with the comparative figures set out as follows. These condensed consolidated interim financial statements are unaudited but have been reviewed by the Company’s audit committee.

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 31 December	
		2013	2012
		HK\$'000	HK\$'000
	Notes	(Unaudited)	(Unaudited)
<b>Turnover</b>	4	133,502	159,095
Operating expenses		<u>(187,603)</u>	<u>(200,160)</u>
<b>Loss from operations before amortisations</b>		(54,101)	(41,065)
Other income		3,070	693
Profit on sales of players’ registrations		35,506	2,556
Amortisation of intangible assets		(2,297)	(11,732)
Administrative and other expenses		(31,949)	(11,780)
Finance costs	5	<u>(12,638)</u>	<u>(12,848)</u>
<b>Loss before taxation</b>	6	(62,409)	(74,176)
Income tax credit	7	<u>190</u>	<u>—</u>
<b>Loss for the period</b>		<u><u>(62,219)</u></u>	<u><u>(74,176)</u></u>

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<i>Notes</i>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Items that may be classified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries and total other comprehensive expenses for the period	<u>(8,412)</u>	<u>(861)</u>
<b>Total comprehensive expenses for the period</b>	<b><u>(70,631)</u></b>	<b><u>(75,037)</u></b>
<b>Loss for the period attributable to:</b>		
— Owners of the Company	(61,470)	(72,232)
— Non-controlling interests	<u>(749)</u>	<u>(1,944)</u>
	<b><u>(62,219)</u></b>	<b><u>(74,176)</u></b>
<b>Total comprehensive expenses attributable to:</b>		
— Owners of the Company	(69,594)	(73,048)
— Non-controlling interests	<u>(1,037)</u>	<u>(1,989)</u>
	<b><u>(70,631)</u></b>	<b><u>(75,037)</u></b>
<b>Loss per share</b>	<i>9</i>	
— Basic and diluted ( <i>HK cents</i> )	<b><u>(1.58)</u></b>	<b><u>(1.86)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 31 December 2013 <i>HK\$'000</i> <b>(Unaudited)</b>	At 30 June 2013 <i>HK\$'000</i> <b>(Audited)</b>
<i>Notes</i>		
<b>Non-current assets</b>		
Property, plant and equipment	278,284	264,119
Intangible assets	41,617	37,896
Goodwill	—	—
Deposits, prepayments and other receivables	2,122	8,300
	<b>322,023</b>	302,098
<b>Current assets</b>		
Inventories	3,529	2,225
Trade receivables	<i>10</i> 57,341	93,687
Deposits, prepayments and other receivables	12,728	15,705
Amounts due from related companies	1,249	1,249
Cash held at non-bank financial institutions	1	1
Bank balances and cash	67,265	49,996
	<b>142,113</b>	162,863
<b>Current liabilities</b>		
Transfer fee payables	1,777	8,428
Trade payables	<i>11</i> 29,911	28,705
Accruals and other payables	59,238	75,324
Deferred capital grants	729	672
Amount due to a former director	5,198	5,198
Deferred income	121,884	23,770
Borrowings	151,367	178,442
Amounts due to directors	—	544
Income tax payable	418	418
	<b>370,522</b>	321,501
<b>Net current liabilities</b>	<b>(228,409)</b>	<b>(158,638)</b>
<b>Total assets less current liabilities</b>	<b>93,614</b>	<b>143,460</b>

		At 31 December 2013 <i>HK\$'000</i> <b>(Unaudited)</b>	At 30 June 2013 <i>HK\$'000</i> <b>(Audited)</b>
<b>Non-current liabilities</b>			
Transfer fee payables		678	—
Accruals and other payables		456	—
Deferred capital grants		21,965	20,600
Borrowings		1,496	2,025
Amounts due to directors		201,813	182,808
Deferred tax liabilities		<u>37,106</u>	<u>37,296</u>
		<u>263,514</u>	<u>242,729</u>
<b>NET LIABILITIES</b>		<b><u>(169,900)</u></b>	<b><u>(99,269)</u></b>
<b>Capital and reserves</b>			
Share capital	12	38,878	38,878
Reserves		<u>(208,001)</u>	<u>(138,407)</u>
Equity attributable to owners of the Company		(169,123)	(99,259)
Non-controlling interests		<u>(777)</u>	<u>260</u>
<b>CAPITAL DEFICIENCIES</b>		<b><u>(169,900)</u></b>	<b><u>(99,264)</u></b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 31 December 2013*

## 1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activity of the Company is investment holding and its subsidiaries are mainly engaged in the professional football operation, apparel sourcing and trading and entertainment and media services.

The functional currency of the Company and its subsidiaries (collectively referred to as the “Group”) is Hong Kong dollars (“HK\$”) and for those subsidiaries established in the United Kingdom (“U.K.”) is Great Britain Pounds (“GBP”). The condensed consolidated interim financial statements are presented in Hong Kong dollars (“HK\$”) for the convenience of users of the condensed consolidated interim financial statements as the Company is listed in Hong Kong.

## 2. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

### Going concern basis

For the six months ended 31 December 2013, the Group reported a consolidated loss attributable to owners of the Company of approximately HK\$61,470,000, and had consolidated net current liabilities of approximately HK\$228,409,000 and a capital deficiency of approximately HK\$169,900,000 as at 31 December 2013. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months given:

- (a) The debt capitalisation of an amount due to director as stated in Note 13(f) which will improve the net debt position of the Company;
- (b) Subsequent placement of shares noted in Note 13(c) to improve the working capital of the Company;
- (c) Issue of debt through convertible bonds as stated in Note 13 (d) to (e) ; and
- (d) If necessary, the directors will consider different sources of financing available.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the condensed consolidated interim financial statements on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to the condensed consolidated interim financial statements, to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments have not been reflected in the condensed consolidated interim financial statements.

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 31 December 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2013.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated interim financial statements:

Amendments to HKFRSs	Annual Improvement to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interest in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine

The application of the new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated interim financial statements.

### 4. TURNOVER AND SEGMENT INFORMATION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowance and exclude value added tax or other sales related taxes.

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- (i) professional football operation;
- (ii) apparel sourcing & trading;
- (iii) entertainment & media; and
- (iv) investment holding.

**(a) Segment revenues and results**

For the six months ended 31 December:

	Professional football operation		Apparel sourcing & trading		Entertainment and media services		Investment holding		Total	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
SEGMENT REVENUE:										
External sales	<u>133,502</u>	<u>159,095</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>133,502</u>	<u>159,095</u>
SEGMENT RESULTS	<u>(17,871)</u>	<u>(50,204)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(272)</u>	<u>544</u>	<u>(18,143)</u>	<u>(49,660)</u>
Unallocated corporate income and expenses									<u>(44,266)</u>	<u>(24,516)</u>
Loss before taxation									<u>(62,409)</u>	<u>(74,176)</u>

The segment results represent the results earned by each segment without allocation of interest income, central administration costs, directors' emoluments and finance costs. This is the measure reported to the chief operating decision maker, being the board of directors of the Company, for the purposes of resource allocation and assessment of segment performance.

**(b) Segment assets**

	Professional football operation		Apparel sourcing & trading		Entertainment & media services		Investment holding		Total	
	At 31 December 2013 <i>HK\$'000</i> (Unaudited)	At 30 June 2013 <i>HK\$'000</i> (Audited)								
ASSETS										
Segment assets	<u>383,106</u>	<u>398,139</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>830</u>	<u>722</u>	<u>383,936</u>	<u>398,861</u>
Unallocated segment assets									<u>80,200</u>	<u>66,100</u>
Total assets									<u><u>464,136</u></u>	<u><u>464,961</u></u>

For the purpose of monitoring segment performances and allocating resources between segment:

- all assets are allocated to operating segments, other than amounts due from related companies, cash held at non-bank financial institutions and bank balances and cash which are not able to allocate into reportable segments.

**(c) Geographical information**

	Revenue from external customer Six months ended 31 December 2013 <i>HK\$'000</i> (Unaudited)		Segments results Six months ended 31 December 2013 <i>HK\$'000</i> (Unaudited)	
	2013 <i>HK\$'000</i> (Unaudited)	2012 <i>HK\$'000</i> (Unaudited)	2013 <i>HK\$'000</i> (Unaudited)	2012 <i>HK\$'000</i> (Unaudited)
Hong Kong	—	—	(272)	544
United Kingdom (place of domicile)	<u>133,502</u>	<u>159,095</u>	<u>(17,871)</u>	<u>(50,204)</u>
	<u><u>133,502</u></u>	<u><u>159,095</u></u>	<u><u>(18,143)</u></u>	<u><u>(49,660)</u></u>

## 5. FINANCE COST

	<b>Six months ended 31 December</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest expense on:		
— Bank and other borrowings repayable within five years	12,581	12,675
— Finance leases	57	173
	<u>12,638</u>	<u>12,848</u>

## 6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	<b>Six months ended 31 December</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Amortisation of players' registrations	2,297	11,732
Depreciation of property, plant and equipment	6,302	5,534
Minimum lease payment under operating lease in respect of premises	2,864	2,574
Staff costs (including directors and chief executive's emoluments):		
— Wages and salaries	117,691	134,515
— Contributions to defined contribution retirement plans	14,386	16,069
	<u>132,077</u>	<u>150,584</u>

## 7. INCOME TAX CREDIT

	<b>Six months ended 31 December</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Deferred taxation — current period	<u>190</u>	<u>—</u>

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising from Hong Kong during the six months ended 31 December 2013 and 2012.

The Group's subsidiaries in the U.K. are subject to Corporation Tax in the U.K. ("Corporation Tax"). No provision has been made in respect of Corporation Tax as these subsidiaries did not derive any assessable profits for the six months ended 31 December 2013 and 2012.

## 8. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 31 December 2013 (2012: Nil).

## 9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the six months ended 31 December 2013 to owners of the Company of approximately HK\$61,470,000 (six months ended 31 December 2012: HK\$72,232,000) and the weighted average number of 3,887,753,400 (2012: 3,887,753,400) ordinary shares in issue during the period.

The computation of diluted loss per share for the six months ended 31 December 2013 is the same as the basic loss per share because the Company had no dilutive potential shares.

The computation of diluted loss per share for the six months ended 31 December 2012 does not assume the conversion of the Company's outstanding share options because the exercise price of those options was higher than the average market price of the shares.

## 10. TRADE RECEIVABLES

The aging analysis of trade receivables based on invoice date net of impairment loss is as follows:

	At <b>31 December</b> <b>2013</b> <i>HK\$'000</i> <b>(Unaudited)</b>	At 30 June 2013 <i>HK\$'000</i> (Audited)
Within 30 days	44,354	84,226
31 days — 90 days	1,713	676
91 days — 180 days	767	71
181 days — 365 days	2,007	8,714
More than 365 days	8,500	—
	<u>57,341</u>	<u>93,687</u>

Trade receivables from the sale of player's registrations are received in accordance with the terms of the related transfer agreement. The Group does not hold any collateral over these balances.

## 11. TRADE PAYABLES

An aged analysis of the trade payables is as follows:

	At 31 December 2013 <i>HK\$'000</i> (Unaudited)	At 30 June 2013 <i>HK\$'000</i> (Audited)
Within 30 days	17,284	15,371
31 days — 90 days	2,299	2,016
91 days — 180 days	293	597
181 days — 365 days	<u>10,035</u>	<u>10,721</u>
	<u><u>29,911</u></u>	<u><u>28,705</u></u>

The Group normally receive credit periods from suppliers averaging 90 days.

## 12. SHARE CAPITAL

Ordinary shares of HK\$0.01 each	Number of shares	Amount <i>HK\$'000</i>
Authorised:		
At 1 July 2012, 30 June 2013 and 31 December 2013	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 July 2012, 30 June 2013, and 31 December 2013	<u>3,887,753,400</u>	<u>38,878</u>

## 13. EVENT AFTER THE REPORTING PERIOD

### a) Potential acquisition of a subsidiary

On 20 February 2014, the Group entered into a memorandum of understanding (“MOU”) for acquisition of the entire equity interests in Ultramax Enterprises Limited at a consideration of approximately HK\$52,000,000. Details of the MOU are set out in the announcement of the Company dated 20 February 2014.

### b) Disposal of 12% equity interest in Birmingham City PLC

On 12 February 2014, the Group entered into a binding memorandum of understanding for the disposal of 12% equity interest in Birmingham City PLC at a consideration of HK\$45,000,000. Details of the disposal is set out in the announcement of the Company dated 12 February 2014, 18 February 2014 and 25 February 2014.

- c) On 5 February 2014, the Company completed the placement of 1,260,000,000 ordinary shares at an issue price of HK\$0.05. The net proceed of the placement was approximately HK\$63,000,000 and will be used for general working capital of the Company.
- d) On 12 November 2013 the Company and U-Continent Holdings Limited, an independent third party (“U-Continent” or the “Subscriber”), entered in to a First Convertible Bond Subscription Agreement (“First CB”) for the principal amount of up to HK\$50,000,000 and is unsecured, zero coupon and due in 2015. Details of the First CB are set out in the announcements of the Company dated 12 November 2013 and 19 November 2013.

On 5 February 2014, the First CB was fully subscribed to the amount of HK\$50,000,000 by the Subscriber and HK\$10,000,000 was partially converted into 333,333,333 shares of the Company on 21 February 2014.

- e) On 12 November 2013 the Company and U-Continent Holdings Limited, an independent third party (“U-Continent” or the “Subscriber”), entered in to a Second Convertible Bond Subscription Agreement (“Second CB”) for the principal amount of up to HK\$125,000,000 and is unsecured, zero coupon and due in 2015. Details of the Second CB are set out in the announcements of the Company dated 12 November 2013, 19 November 2013 and 20 December 2013.

On 5 February 2014, the Second CB was subscribed to the amount of HK\$105,000,000 by the Subscriber.

- f) On 20 December 2013, Mr. Yeung Ka Sing, Carson (“Mr. Yeung”) and the Company entered into Deed of Novation Agreement (the “DON”), Debt Capitalisation Agreement (the “DCA”) and the Subscription Agreement (the “SUB”). Pursuant to the DON, DCA and SUB, Mr. Yeung agreed to capitalise the amount due to him by agreeing to subscribe for, and the Company agreeing to issue to Mr. Yeung, a Debt Convertible Bond (the “Debt CB”) to the principal amount of not more than HK\$193,500,000. The Debt CB is unsecured, zero coupon interest and has a maturity date of two years from the date of issue. Details of the DON, DCA and SUB are set out in the announcement of the Company dated 20 December 2013. The Debt CB was fully subscribed on 5 February 2014.

Mr. Yeung resigned as executive director of the Company on 4 February 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results

For the six months ended 31 December 2013, the Group recorded a consolidated turnover of approximately HK\$134 million, representing a decrease of 16% compared to the consolidated turnover of approximately HK\$159 million in the six months ended 31 December 2012. Such decrease was mainly due to decrease in the revenue generated from Birmingham City Football Club (“BCFC”).

### Business Review and Prospect

The Company is engaged in investment holding. The principal activities of its main subsidiaries are engaged in professional football operation and entertainment and media services.

#### *Professional Football Operation Business*

Birmingham City Plc (“BCP”) is a company domiciled in the United Kingdom, the principal activities of Birmingham City Plc and its subsidiaries (collectively refer to as the “BCP Group”) was the operation of a professional football club in the United Kingdom. The revenue streams of BCP Group comprised of (i) gate receipts which consisted of season and matchday tickets; (ii) broadcasting revenue, including distribution from the Football Association and Championship broadcasting agreements, cup competitions and revenue from the local media; and (iii) commercial income which comprised of sponsorship income, corporate hospitality, merchandising, conference and banqueting and other sundry revenue.

This is the third year (season 2013/2014) that BCP Group is in the Championship. The challenges facing the BCP Group continued with prudent expenses control, downsizing of management and appropriate cost reductions across the board being prime steps taken to ensure funds are suitably utilized to maintain, by and large, the same squad that was very successful in the preceding season.

The Group recorded a loss of approximately HK\$62 million for the six months ended 31 December 2013, compared to a loss of approximately HK\$74 million for the six months ended 31 December 2012. Such decrease in loss was mainly due to the increase in transfer activities of players during the reporting period in comparison to the disposals in the previous period.

#### *Entertainment and Media Services*

During the six months period ended 31 December 2013, the Group recorded no turnover (six months ended 31 December 2012: no turnover recorded) relating to entertainment and media services in the Group’s overall turnover.

## Financial Review

### *Liquidity and Financial Resources*

The current ratio (current assets to current liabilities) of the Group as at 31 December 2013 was 38.35% (30 June 2013: 50.66%) and the gearing ratio (borrowings in long term portion to equity and non-current liabilities) of the Group as at 31 December 2013 was 216.39% (30 June 2013: 128.84%). The ratio of total liabilities to total assets of the Group as at 31 December 2013 was 136.61% (30 June 2013: 121.35%).

As at 31 December 2013, the cash and bank balances of the Group amounted to approximately HK\$67 million, representing a increase of 34% compared to the cash and bank balances of approximately HK\$50 million as at the last financial period end.

As at 31 December 2013, the borrowings (including current portion and long term portion) of the Group amounted to approximately HK\$153 million (30 June 2013: approximately HK\$180 million), mainly representing bank loans in the United Kingdom and other borrowings in Hong Kong.

### *Foreign Exchange Risk*

The Group's exposure to foreign currency risk is the Group's subsidiaries operating in the United Kingdom and most of their transactions, assets and liabilities are denominated in Pound Sterling ("£"). The Group does not have any derivative financial instruments to hedge its foreign currency risks.

### *Operating lease arrangements*

At the end of reporting period, the Group's total future minimum lease payments under non-cancellable operating leases are as follows:

	<b>At 31 December 2013 HK\$'000</b>	<b>At 30 June 2013 HK\$'000</b>
Within one year	<b>2,179</b>	2,459
After one year but within five years	<b>828</b>	3,644
	<b><u>3,007</u></b>	<b><u>6,103</u></b>

## ***Pledge of Group's Assets***

As at 31 December 2013, the Group has the freehold land and buildings with the carrying value of approximately £21 million (equivalent to approximately HK\$262 million) which is used to secure a bank borrowing of approximately HK\$4 million for the Group.

Save as the above, the Group did not have assets charged nor pledged to secure any outstanding borrowing.

## ***Contingent Liabilities***

### *i. Player transfer costs*

Under the terms of certain contracts with other football clubs in respect of the player transfers, additional amounts would become payable if certain specific performance conditions are met. The maximum amount not provided that could be payable in respect of the transfers to 31 December 2013 is HK\$15,662,000 (30 June 2013: HK\$11,500,000). Since the period end and to the approval of these condensed consolidated interim financial statements none of these amounts have crystallised.

### *ii. Claim from a former director against the Company*

On 10 May 2013, former director, Mr. Lee Yiu Tung (the "Claimant") filed a claim in the Labour Tribunal of the Hong Kong Special Administrative Region ("HKSAR") for unpaid wages, wages in lieu of notice and expenses paid on behalf of the Company up to the amount of approximately HK\$1,484,000. The Company made a counterclaim against the Claimant on 29 May 2013 in respect of wages paid to the Claimant for the months from July to October 2012 up to the amount of HK\$240,000 as the Claimant was absent from his office and reimbursements of expenses paid to the Claimant during 2010 to 2012 totaling HK\$2,000,000 for business/projects not related to the Company. On 4 June 2013, both parties agreed that the case would be transferred to the High Court in HKSAR for judgment. The Company have obtained legal advice in respect of the merits of the case and the directors of the Company are confident that they have a strong defence in this action and therefore, no provision for this claim have been made.

## **Employees**

As at 31 December 2013, the Group employs approximately 180 full time employees and approximately 640 temporary staff in Hong Kong and the United Kingdom (31 December 2012: 180 full time employees and 600 temporary staff). The Group remunerated its employees mainly based on industry practice, individual's performance and experience. Apart from the basic remuneration, discretionary bonus may be granted to eligible employees with reference to the Group's performance as well as the individual performance. The team manager would be due a bonus should the team finish in a certain position or above, together with bonuses due upon success in cup competitions. In addition, share options may also be granted from time to time in accordance with the term of the Company's Share Option Scheme.

## Events After the Reporting Period

### a) Potential acquisition of a subsidiary

On 20 February 2014, the Group entered into a memorandum of understanding (“MOU”) for acquisition of the entire equity interests in Ultramax Enterprises Limited at a consideration of approximately HK\$52,000,000. Details of the MOU are set out in the announcement of the Company dated 20 February 2014.

### b) Disposal of 12% equity interest in Birmingham City PLC

On 12 February 2014, the Group entered into a binding memorandum of understanding for the disposal of 12% equity interest in Birmingham City PLC at a consideration of HK\$45,000,000. Details of the disposal is set out in the announcement of the Company dated 12 February 2014, 18 February 2014 and 25 February 2014.

c) On 5 February 2014, the Company completed the placement of 1,260,000,000 ordinary shares at an issue price of HK\$0.05. The net proceed of the placement was approximately HK\$63,000,000 and will be used for general working capital of the Company.

d) On 12 November 2013 the Company and U-Continent Holdings Limited, an independent third party (“U-Continent” or the “Subscriber”), entered in to a First Convertible Bond Subscription Agreement (“First CB”) for the principal amount of up to HK\$50,000,000 and is unsecured, zero coupon and due in 2015. Details of the First CB are set out in the announcements of the Company dated 12 November 2013 and 19 November 2013.

On 5 February 2014, the First CB was fully subscribed to the amount of HK\$50,000,000 by the Subscriber and was partially converted into 333,333,333 shares of the Company on 21 February 2014.

e) On 12 November 2013 the Company and U-Continent Holdings Limited, an independent third party (“U-Continent” or the “Subscriber”), entered in to a Second Convertible Bond Subscription Agreement (“Second CB”) for the principal amount of up to HK\$125,000,000 and is unsecured, zero coupon and due in 2015. Details of the Second CB are set out in the announcements of the Company dated 12 November 2013, 19 November 2013 and 20 December 2013.

On 5 February 2014, the Second CB was subscribed to the amount of HK\$105,000,000 by the Subscriber.

f) On 20 December 2013, Mr. Yeung Ka Sing, Carson and the Company entered into Deed of Novation Agreement (the “DON”), Debt Capitalisation Agreement (the “DCA”) and the Subscription Agreement (the “SUB”). Pursuant to the DON, DCA and SUB, Mr. Yeung agreed to capitalise the amount due to him by agreeing to subscribe for, and the Company agreeing to issue to Mr. Yeung, a Debt Convertible Bond (the “Debt CB”) to the principal amount of not more than

HK\$193,500,000. The Debt CB is unsecured, zero coupon interest and has a maturity date of two years from the date of issue. Details of the DON, DCA and SUB are set out in the announcement of the Company dated 20 December 2013. The Debt CB was fully subscribed on 5 February 2014.

Mr. Yeung resigned as executive director of the Company on 4 February 2014.

## **CORPORATE GOVERNANCE**

The Board believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of the shareholders.

The Company has complied with the applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 31 December 2013 except for as follows:

- Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The Company deviates from the above code provision as all independent non-executive Directors (“INEDs”) are not appointed for specific terms. According to the provisions of the Company’s Articles of Association, however, the INEDs are subject to retirement and re-election. The reason for the deviation is that the Company believes that the Directors ought to be committed to representing the long term interest of the Company’s shareholders.

## **Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiry to all the directors of the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months period ended 31 December 2013.

## **AUDIT COMMITTEE**

The Audit Committee comprises four independent non-executive directors of the Company has reviewed with the management in the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of the unaudited interim financial information and interim report for the six months period ended 31 December 2013.

## **REMUNERATION COMMITTEE**

The Remuneration Committee comprises four independent non-executive directors and one executive director of the Company, is responsibility for reviewing and evaluating the remuneration policies of executive directors and senior management and making recommendations to the Board from time to time.

## **NOMINATION COMMITTEE**

The Nomination Committee comprises four independent non-executive directors and one executive director of the Company. The primary role is to ensure that there is a formal and transparent procedure adopted by the Company for the nomination of directors of the Company.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY**

During the six months period ended 31 December 2013, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement is published on the websites of the Company (<http://www.irasia.com/listco/hk/birminghamint/index.htm>) and Hong Kong Exchanges and Clearing Limited (<http://www.hkex.com.hk>). The interim report of the Company for the six months ended 31 December 2013 containing all information required by the Listing Rules will be dispatched to the Shareholders of the Company and made available on the above websites in due course.

By Order of the Board

**BIRMINGHAM INTERNATIONAL HOLDINGS LIMITED**

**Cheung Shing**

*Chairman*

Hong Kong, 28 February 2014

*As at the date hereof, the executive directors of the Company are Mr. Cheung Shing, Mr. Peter Pannu, Mr. Ma Shui Cheong, Mr. Chan Shun Wah, Mr. Cheung Kwai Nang, Mr. Chen Liang and Mr. Panagiotis Pavlakis and the independent non-executive directors are Mr. Wong Ka Chun, Carson, Mr. Gao Shi Kui, Mr. Liu Enxue and Mr. Li Hanguo.*