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BIRMINGHAM INTERNATIONAL HOLDINGS LIMITED 伯明翰環球控股有限公司

(Receivers Appointed)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2309)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

Messrs. Liu Yiu Keung Stephen, Yen Ching Wai David and Koo Chi Sum, all of Ernst & Young Transactions Limited of 62nd Floor, One Island East, 18 Westlands Road, Island East, Hong Kong, who were appointed as the joint and several receivers (the “**Receivers**”) of Birmingham International Holdings Limited (Receivers Appointed) (the “**Company**”) present the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 31 December 2015 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

| | | For the six months ended 31 December | |
|---|-------|---|---------------------------------------|
| | | 2015 | 2014 |
| | Notes | HK\$'000 (Unaudited) | HK\$'000 (Unaudited) (Restated) |
| Revenue | 5 | 95,142 | 143,797 |
| Operating expenses | | (135,045) | (141,324) |
| (Loss)/Profit from operations before amortisations | | (39,903) | 2,473 |
| Other income | 6 | 9,455 | 21,496 |
| Profit on sales of players’ registrations | | 717 | 17,292 |
| Amortisation of intangible assets | | (3,220) | (2,446) |
| Administrative and other expenses | | (19,419) | (37,762) |
| Finance costs | 7 | (3,346) | (4,135) |

| | | For the six months ended | |
|--|--------------|---------------------------------|------------------------|
| | | 31 December | |
| | | 2015 | 2014 |
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | (Unaudited) | (Unaudited) |
| | | | (Restated) |
| Loss before taxation | 8 | (55,716) | (3,082) |
| Income tax credit | 9 | <u>1,682</u> | <u>—</u> |
| Loss for the period | | (54,034) | (3,082) |
| Other comprehensive expense: | | | |
| <i>Item that may be reclassified to profit or loss</i> | | | |
| Exchange differences arising on translation of financial statements of overseas subsidiaries | | <u>(15,704)</u> | <u>(13,782)</u> |
| Total comprehensive expenses for the period | | <u>(69,738)</u> | <u>(16,864)</u> |
| Loss for the period attributable to: | | | |
| Owners of the Company | | (52,772) | (4,100) |
| Non-controlling interests | | <u>(1,262)</u> | <u>1,018</u> |
| | | <u>(54,034)</u> | <u>(3,082)</u> |
| Total comprehensive expenses attributable to: | | | |
| Owners of the Company | | (67,949) | (14,326) |
| Non-controlling interests | | <u>(1,789)</u> | <u>(2,538)</u> |
| | | <u>(69,738)</u> | <u>(16,864)</u> |
| Loss per share | | | |
| — Basic and diluted (<i>HK cent</i>) | 11 | <u>(0.55)</u> | <u>(0.06)</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | <i>Notes</i> | At 31 December 2015 <i>HK\$'000</i> (Unaudited) | At 30 June 2015 <i>HK\$'000</i> (Audited) |
|--|--------------|--|---|
| Non-current assets | | | |
| Property, plant and equipment | | 226,869 | 246,912 |
| Intangible assets | | 47,171 | 41,756 |
| Deposits, prepayments and other receivables | | 3,867 | 623 |
| | | 277,907 | 289,291 |
| Current assets | | | |
| Inventories | | 1,937 | 1,603 |
| Trade receivables | 12 | 11,408 | 12,274 |
| Deposits, prepayments and other receivables | | 28,840 | 42,101 |
| Cash held at non-bank financial institutions | | — | 1 |
| Bank balances and cash | | 44,733 | 58,815 |
| | | 86,918 | 114,794 |
| Current liabilities | | | |
| Transfer fee payables | | 9,055 | 1,097 |
| Trade payables | 13 | 15,896 | 14,910 |
| Accruals and other payables | | 33,570 | 47,634 |
| Deferred capital grants | | 654 | 695 |
| Amount due to former directors | | 10,769 | 10,769 |
| Deferred income | | 23,025 | 23,142 |
| Borrowings | | 223,100 | 139,974 |
| Income tax payable | | 20,675 | 22,212 |
| | | 336,744 | 260,433 |
| Net current liabilities | | (249,826) | (145,639) |
| Total assets less current liabilities | | 28,081 | 143,652 |

| | | At 31 December 2015 <i>Notes</i> HK\$'000 (Unaudited) | At 30 June 2015 <i>Notes</i> HK\$'000 (Audited) |
|--|-----------|---|---|
| Non-current liabilities | | | |
| Transfer fee payables | | 3,094 | 296 |
| Deferred capital grants | | 18,402 | 19,907 |
| Borrowings | | 379 | 43,869 |
| Deferred tax liabilities | | <u>29,747</u> | <u>33,383</u> |
| | | <u>51,622</u> | <u>97,455</u> |
| NET (LIABILITIES)/ASSETS | | <u>(23,541)</u> | <u>46,197</u> |
| Capital and reserves | | | |
| Share capital | <i>14</i> | 96,811 | 96,811 |
| Reserves | | <u>(121,486)</u> | <u>(53,537)</u> |
| Equity attributable to owners of the Company | | (24,675) | 43,274 |
| Non-controlling interests | | <u>1,134</u> | <u>2,923</u> |
| TOTAL (CAPITAL DEFICIENCIES)/EQUITY | | <u>(23,541)</u> | <u>46,197</u> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2015

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 Company’s shares have been suspended for trading since 4 December 2014.

The principal activity of the Company is investment holding and its subsidiaries are mainly engaged in professional football operation in the United Kingdom (“**U.K.**”).

The functional currency of the Group is Hong Kong dollars (“**HK\$**”) and for those subsidiaries established in the U.K. is Great British Pounds (“**GBP**”). The condensed consolidated interim financial statements are presented in 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 of the Stock Exchange (the “**Listing Rules**”) and with the 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 2015, the Group reported a consolidated loss attributable to owners of the Company of approximately HK\$52,772,000, and had consolidated net current liabilities and net liabilities of approximately HK\$249,826,000 and HK\$23,541,000 respectively as at 31 December 2015. 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 it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the Receivers 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 that the Company has on 26 June 2015 entered into a loan facility agreement with Trillion Trophy Asia Limited (“**Trillion Trophy**”), which has agreed to grant a secured loan facility of up to a maximum amount of HK\$162,813,600 to the Company. As at the date of this announcement, the Company has drawn a total of HK\$104,813,600, the Company could further utilise the remaining undrawn balance of HK\$58,000,000, if necessary, to fund the Group’s operation.

To-date, the Receivers are negotiating with Trillion Trophy the terms on the possible restructuring. The Receivers are considering raising additional funds by entering into further agreements with Trillion Trophy and/or by other means of fund raising exercises. The Company will issue further announcements setting out the progress of the possible restructuring as and when appropriate and necessary.

Accordingly, the Receivers of the Company are of the opinion that it is appropriate to prepare the condensed consolidated interim financial statements on the 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.

The condensed consolidated interim financial statements do not include all the information and disclosures required in a full set of financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 30 June 2015 (“**2015 Annual Report**”).

The preparation of the condensed consolidated interim financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the 2015 Annual Report.

The accounting policies and method of computation used in the condensed consolidated interim financial statements for the six months ended 31 December 2015 are consistent with those followed in the preparation of the 2015 Annual Report.

For the six months ended 31 December 2015, the Group has adopted all the new or revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) effective for the accounting year beginning on 1 July 2015 issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated interim financial statements.

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

The Group has not applied the new and revised HKFRSs that have been issued but have not come into effect yet. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these revised HKFRSs would have a material impact on its results of operations and financial positions.

4. PRIOR YEAR ADJUSTMENT

(a) Accruals

On 18 November 2009, the Company entered into a cooperation agreement with China Foundation for Disabled Persons (中國殘疾人福利基金會) (the “**Cooperation Agreement**”) whereby the Company agreed to establish the Birmingham Charity Fund and would donate up to an aggregate amount of RMB50,000,000 to the Birmingham Charity Fund in a 5-year period of RMB10,000,000 each year (the “**Donation**”). The Cooperation Agreement was expired after 19 November 2014. Up to 30 June 2015, the Group has accrued approximately HK\$55,239,000. The Receivers have sought legal advice on the validity of the Cooperation Agreement.

Based on the legal advice, the statute of limitation period would be two years in the PRC. Accordingly, prior year adjustment has been made to reverse the accrued Donation of HK\$6,535,000 in the six months ended 31 December 2014. Accrued Donation of HK\$5,970,000 has been reversed in the six months ended 31 December 2015.

(b) Condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 31 December 2014

| | For the six months ended 31 December 2014 (As previously reported) <i>HK\$'000</i> | Effect of prior year's adjustment <i>HK\$'000</i> | For the six months ended 31 December 2014 (As restated) <i>HK\$'000</i> |
|--|---|--|---|
| Revenue | 143,797 | — | 143,797 |
| Operating expenses | <u>(141,324)</u> | <u>—</u> | <u>(141,324)</u> |
| Profit from operations before amortisation | 2,473 | — | 2,473 |
| Other income | 14,961 | 6,535 | 21,496 |
| Profit on sales of players' registrations | 17,292 | — | 17,292 |
| Amortisation of intangible assets | (2,446) | — | (2,446) |
| Administrative and other expenses | (37,762) | — | (37,762) |
| Finance costs | <u>(4,135)</u> | <u>—</u> | <u>(4,135)</u> |
| Loss before taxation | (9,617) | 6,535 | (3,082) |
| Income tax expense | <u>—</u> | <u>—</u> | <u>—</u> |
| Loss for the period | (9,617) | 6,535 | (3,082) |

| | For the six months ended 31 December 2014 (As previously reported) <i>HK\$'000</i> | Effect of prior year's adjustment <i>HK\$'000</i> | For the six months ended 31 December 2014 (As restated) <i>HK\$'000</i> |
|---|---|--|---|
| Other comprehensive expenses | | | |
| <i>Item that may be reclassified to profit or loss:</i> | | | |
| Exchange differences arising on translation of financial statements of overseas subsidiaries | (13,782) | — | (13,782) |
| Total comprehensive expenses for the period | <u>(23,399)</u> | <u>6,535</u> | <u>(16,864)</u> |
| Loss for the period attributable to: | | | |
| Owners of the Company | (10,635) | 6,535 | (4,100) |
| Non-controlling interests | 1,018 | — | 1,018 |
| | <u>(9,617)</u> | <u>6,535</u> | <u>(3,082)</u> |
| Total comprehensive expenses attributable to: | | | |
| Owners of the Company | (20,861) | 6,535 | (14,326) |
| Non-controlling interests | (2,538) | — | (2,538) |
| | <u>(23,399)</u> | <u>6,535</u> | <u>(16,864)</u> |
| Loss per share | | | |
| — Basic and diluted (HK cent) | <u>(0.16)</u> | <u>0.10</u> | <u>(0.06)</u> |

5. REVENUE 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.

The Group's revenue and contribution to profit were mainly derived from its professional football operation in the U.K., which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resources allocation and performance assessment. In addition, the principal assets employed by the Group are located in the U.K. Accordingly, no segment analysis is presented other than entitywide disclosures.

Entity-wide disclosures

Information about the nature of revenue

| | For the six months ended | |
|-------------------------|--------------------------|----------------|
| | 31 December | |
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Television broadcasting | 34,806 | 86,574 |
| Commercial income | 33,730 | 32,058 |
| Matching receipts | 26,606 | 25,165 |
| | <u>95,142</u> | <u>143,797</u> |

6. OTHER INCOME

| | For the six months ended | |
|--|--------------------------|---------------|
| | 31 December | |
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| | | (Restated) |
| Gain on disposal of property, plant and equipment | 112 | 280 |
| Interest income | 77 | 81 |
| Subsidies received from the Premier League (<i>Note</i>) | 2,965 | 3,070 |
| Compensation from player injury insurance | — | 11,467 |
| Reverse of excess provision for Donation | 5,970 | 6,535 |
| Sundry income | 331 | 63 |
| | <u>9,455</u> | <u>21,496</u> |

Note:

During the six months ended 31 December 2015, the Group's professional football operation received funding of approximately HK\$2,965,000 (six months ended 31 December 2014: HK\$3,070,000) from the Premier League under the Elite Player Performance Plan upon fulfillment of certain term and conditions.

7. FINANCE COSTS

| | For the six months ended | |
|---|--------------------------|-----------------|
| | 31 December | |
| | 2015 | 2014 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Interest expenses on: | | |
| — Bank loan and other borrowing repayable within five years | 3,329 | 4,120 |
| — Finance leases | 17 | 15 |
| | <u>3,346</u> | <u>4,135</u> |

8. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

| | For the six months ended | |
|--|--------------------------|-----------------|
| | 31 December | |
| | 2015 | 2014 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Amortisation of intangible assets | 3,220 | 2,446 |
| Depreciation of property, plant and equipment | 6,021 | 5,413 |
| Minimum lease payments under operating lease in respect of premises | 1,273 | 2,999 |
| Provision for loss of suspected mis-appropriated funds | — | 9,243 |
| Staff costs (including directors' emoluments, and chief executive officer's emoluments up to 9 March 2015) | | |
| — Wages and salaries | 75,583 | 136,902 |
| — Contributions to defined contribution retirement plans | 8,571 | 9,063 |
| | <u>84,154</u> | <u>145,965</u> |

9. INCOME TAX CREDIT

| | For the six months ended | |
|-------------------|--------------------------|-----------------|
| | 31 December | |
| | 2015 | 2014 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Deferred taxation | | |
| Current period | 1,682 | — |
| | <u>1,682</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 2015 and 2014.

Taxation credit arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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 2015 and 2014.

10. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2015 (six months ended 31 December 2014: Nil).

11. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the six months ended 31 December 2015 attributable to owners of the Company of approximately HK\$52,772,000 (six months ended 31 December 2014: HK\$4,100,000 (Restated)) and the weighted average number of 9,681,086,733 (six months ended 31 December 2014: 6,870,217,168) ordinary shares in issue during the period.

The computation of diluted loss per share for the six months ended 31 December 2015 and 2014 is the same as the basic loss per share as the impact of the outstanding convertible bonds had an anti-dilutive effect.

12. TRADE RECEIVABLES

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

| | At 31 December 2015 <i>HK\$'000</i> (Unaudited) | At 30 June 2015 <i>HK\$'000</i> (Audited) |
|----------------------|---|---|
| Within 30 days | 3,450 | 3,658 |
| 31 Days to 90 days | 3,559 | 949 |
| 91 days to 180 days | 3,336 | 1,292 |
| 181 days to 365 days | 983 | 1,375 |
| More than 365 days | 80 | 5,000 |
| | <u>11,408</u> | <u>12,274</u> |

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

13. TRADE PAYABLES

The aging analysis of trade payables is as follows:

| | At 31 December 2015 <i>HK\$'000</i> (Unaudited) | At 30 June 2015 <i>HK\$'000</i> (Audited) |
|----------------------|---|---|
| Within 30 days | 11,293 | 12,358 |
| 31 Days to 90 days | 3,226 | 2,038 |
| 91 days to 180 days | 1,104 | 382 |
| 181 days to 365 days | 273 | 132 |
| | <u>15,896</u> | <u>14,910</u> |

The Group normally receive credit periods from supplies averaging at 45 days.

14. SHARE CAPITAL

| | <i>Note</i> | Number of shares | Amount <i>HK\$'000</i> |
|--|-------------|-----------------------|---------------------------|
| Ordinary share of HK\$0.01 each | | | |
| Authorised: | | | |
| At 30 June 2015 (Audited) and 31 December 2015 (Unaudited) | | <u>50,000,000,000</u> | <u>500,000</u> |
| <i>Issued and fully paid:</i> | | | |
| At 1 July 2014 (Audited) | | 5,481,086,733 | 54,811 |
| Issue of shares | <i>(i)</i> | 1,500,000,000 | 15,000 |
| Issue of shares upon conversion of convertible bonds | <i>(ii)</i> | <u>2,700,000,000</u> | <u>27,000</u> |
| At 31 December 2014 (Unaudited), 1 July 2015 (Audited) and 31 December 2015 (Unaudited) | | <u>9,681,086,733</u> | <u>96,811</u> |

Note:

- (i) A zero coupon convertible bond issued by the Company to U-Continent Holdings Limited (“**U-Continent**”) in two tranches of aggregating principal amount of HK\$125,000,000 on 5 February and 14 April 2014 (the “**Second CB**”). On 9 October 2014, HK\$45,000,000 of the Second CB was converted into 1,500,000,000 ordinary shares of the Company.
- (ii) A zero coupon convertible bond issued by the Company to Mr. Yeung Ka Sing, Carson (“**Mr. Yeung**”) in the principal amount of HK\$193,500,000 on 20 December 2013 (the “**Debt CB**”). On 14 November 2014, HK\$81,000,000 of the Debt CB was converted into 2,700,000,000 ordinary shares of the Company.

15. CONTINGENT LIABILITIES AND POTENTIAL CLAIMS

(i) Player transfer costs

Under the terms of certain contracts with players and other football clubs, additional amounts would become payable if certain specific performance conditions are met after 31 December 2015. The maximum amount not provided that could be payable in respect of the transfers up to 31 December 2015 is HK\$11,071,000 (30 June 2015: HK\$9,328,000). Since the period end up to the approval of these condensed consolidated interim financial statements, none of these amounts have crystallised.

(ii) Claim from former directors against the Company

(a) *Hong Kong High Court Action No. 1099 of 2013 (“HCA 1099/2013”)*

On 10 May 2013, Mr. Lee Yiu Tung (“**Mr. Lee**”), a former director of the Company, filed a claim with the Labour Tribunal of Hong Kong against the Company for unpaid wages, wages in lieu of notice and expenses paid by him on behalf of the Company of approximately HK\$1,484,000. On 4 June 2013, both parties agreed that the case would be transferred to the High Court of Hong Kong (the “**High Court**”).

The Company made a counterclaim against Mr. Lee on 8 October 2013 in respect of wages paid to him for the months from July to October 2012 up to the amount of HK\$240,000 and reimbursement of expenses paid to him during 2010 to 2012 totaling HK\$2,000,000 for business and projects not related to the Company.

At a Case Management Conference (“**CMC**”) held on 16 September 2015, the High Court directed that the CMC be adjourned to 27 April 2016. In the meantime, the Company was ordered to provide its list of documents within 8 weeks and the parties were ordered to exchange witness statements within 6 months.

On 15 December 2015, the Company provided its list of documents to Mr. Lee. The parties are required to exchange witness statement on or before 16 March 2015.

The parties are engaging into negotiations with a view to settling HCA 1099/2013 and all existing disputes between them.

(b) Hong Kong High Court Action No. 1355 of 2015 (“HCA 1355/2015”)

Reference is made to the announcement of the Company dated 25 March 2015 in relation to the four demand notices sent by Mr. Peter Pannu (“**Mr. Pannu**”), a former executive director of the Company, to the Company.

Subsequent to the demand notice, on 11 May 2015, Mr. Pannu filed a claim with the Labour Tribunal of Hong Kong against the Company for a sum of HK\$3,397,609.68 on the grounds of constructive dismissal under the Employment Ordinance (Cap. 57 of the laws of Hong Kong) dismissal by reason of redundancy, failure to grant annual leave, failure to pay wage and failure to pay end of year payment.

The Receivers attended an interview with an officer of the Labour Tribunal of Hong Kong on 22 May 2015. In view of the complexity of matters involved, the Receivers applied to the Labour Tribunal to transfer the case to the High Court. The approval for the transfer to the High Court was granted on 18 June 2015 and the Company and Mr. Pannu subsequently agreed directions for the filing of pleadings.

On 18 August 2015, the Company received a summons from Mr. Pannu seeking leave of the High Court to amend his Statement of Claim by adding a new cause of action. In the Amended Statement of Claim, Mr. Pannu claims the following relief against the Company:

1. Damages including special, aggravated and exemplary damages for libel in respect of termination of appointment of Mr. Pannu as managing director and chief executive officer of the Company as announced in the Company’s announcement on 15 December 2014;
2. HK\$3,423,342.46 for outstanding wages, bonus payments, long service payment and payment in lieu of untaken leave;
3. Interest of 8% per annum on the outstanding amount of wages pursuant to section 25A of the Employment Ordinance;
4. Further, or alternatively, interest on such sums and at such rates as the High Court shall think fit pursuant to the High Court Ordinance; and
5. Costs.

The Receivers have obtained legal advice in respect of the merits of the case and they intend to defend all the claims brought by Mr. Pannu. Separately, the Receivers intend to make a number of counter-claims against Mr. Pannu for the breach of duties while Mr. Pannu was serving as (i) the executive director of the Company and Birmingham City Football Club Plc. (“**BCFC**”) and (ii) Vice/Acting Chairman of BCFC. The claims made against Mr. Pannu will, however, be brought in HCA 1590/2015 (see below) and, given the overlapping issues, it is likely that an application will be made, after Mr. Pannu is joined as a defendant to HCA 1590/2015, to consolidate HCA 1355/2015 with HCA 1590/2015.

The parties are engaging into negotiations with a view to settling HCA 1355/2015 and all existing disputes between them.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the six months ended 31 December 2015, the Group recorded a consolidated turnover of approximately HK\$95 million, representing a decrease of 34.0% compared to the consolidated turnover of approximately HK\$144 million for the six months ended 31 December 2014. Such decrease was mainly due to the fact that the football club is no longer entitled to the Parachute Payments payable by the Football Association Premier League after the end of season 2014/2015. Instead, BCFC receives the less favorable Solidarity Payment starting from season 2015/2016.

Business Review and Prospect

The Company is engaged in investment holding. The principal activity of its major subsidiary is the operation of a professional football club.

Professional Football Operation Business

Birmingham City Plc. (“**BCP**”) is a company domiciled in the U.K. The principal activity of BCP and its subsidiaries (collectively referred to as the “**BCP Group**”) is the operation of a professional football club in the U.K. The revenue streams of the BCP Group are comprised of (i) match receipts which consisted of season and match day tickets, (ii) television broadcasting revenue, including distributions from the Football Association Premier League and The Football League broadcasting agreements, cup competitions and revenue from the local media, and (iii) commercial income which comprised sponsorship income, corporate hospitality, merchandising, conference and events and other sundry income.

This is the fifth year (season 2015/2016) that the BCP Group is competing at the Football League’s Championship Division. Due to the expiry of the applicable 4 year period, Premier League Parachute Payments ceased to become payable from the end of season 2014/2015, these Parachute Payments are being replaced with a Solidarity Payment from 2015/2016 season. The net difference between the final year Parachute Payment and the Solidarity Payment is a reduction of GBP7.8 million (approximately HK\$84 million) per annum. The fixed income stream reduction can only be reversed by achieving promotion to the Premier League.

Following a credible 10th position finish in season 2014/2015 Championship Division, season 2015/2016 has started well, with the team having not been outside of the top 10 in the Championship Division during the season. As a result, attendances have improved and operational income from both the gate receipts and commercial activities has increased by approximately 13.6% compared to the corresponding six months period last season.

With the football club being close to a play-off position, the feel good factor continues to flourish and it is expected that the above increases will continue through the end of this season.

The BCFC Academy has continued to operate at Category 2 status under the Elite Player Performance Plan.

The Group recorded a loss of approximately HK\$54 million for the six months ended 31 December 2015, compared to a loss of approximately HK\$3 million (Restated) for the six months ended 31 December 2014.

Financial Review

Liquidity and Financial Resources

The current ratio (current assets to current liabilities) of the Group as at 31 December 2015 was 25.8% (30 June 2015: 44.1%). The gearing ratio represented its borrowings in long term portion to equity and non-current liabilities. As the Group was in deficiency of equity of HK\$23,541,000 as at 31 December 2015 (30 June 2015: Total equity of HK\$46,197,000), the Group's gearing ratio could not be determined (30 June 2015: 30.5%). The ratio of total liabilities to total assets of the Group as at 31 December 2015 was 106.5% (30 June 2015: 88.6%).

As at 31 December 2015, the bank balances and cash of the Group amounted to approximately HK\$45 million, representing a decrease of 23.7% compared to the bank balances and cash of approximately HK\$59 million as at 30 June 2015.

As at 31 December 2015, the borrowings (including current portion and long term portion) of the Group amounted to approximately HK\$223 million (30 June 2015: approximately HK\$184 million). These mainly comprised of non-bank borrowings originated in Hong Kong which include approximately HK\$104 million drawn from Trillion Trophy.

Foreign Exchange Risk

The Group's exposure to foreign currency risk mainly relates to the Group's operation in the U.K. and most of which transactions, assets and liabilities are denominated in GBP. The Group does not use derivative financial instruments to hedge its foreign currency risks.

Operating lease arrangements

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

| | At 31 December 2015 <i>HK\$'000</i> (Unaudited) | At 30 June 2015 <i>HK\$'000</i> (Audited) |
|--------------------------------------|--|--|
| Within one year | 2,222 | 3,761 |
| After one year but within five years | 7,223 | 6,404 |
| After five years | <u>74,202</u> | <u>79,584</u> |
| | <u>83,647</u> | <u>89,749</u> |

Pledge of the Group's Assets

As at 31 December 2015, the loans from Trillion Trophy were secured by (i) a first fixed legal charge over the property owned by BCFC with a carrying value of approximately GBP19 million (equivalent to approximately HK\$218 million); (ii) a first floating charge over all the assets, goodwill, undertaking and uncalled capital, both present and future granted or to be granted by BCFC; and (iii) a first fixed charge over all book and other debts, both present and future granted or to be granted by BCFC.

Save for the above, the Group has not charged other assets to secure its borrowings.

Events after the reporting period

(a) Hong Kong High Court Action No. 1590 of 2015 (“HCA 1590/2015”)

Reference is made to the announcement of the Company dated 15 July 2015 in which it was announced that the Company and BCFC (as joint plaintiffs) had commenced legal proceedings against Mr. Yeung, Asia Rays Limited and Amazing Top International Enterprise Limited in the High Court on 13 July 2015 claiming for loss and damages suffered by the Group as a result of Mr. Yeung's breaches of fiduciary duties.

On 5 August 2015, Mr. Yeung requested the Company to provide further and better particulars of the Statement of Claim before providing his defence. The Company agreed to answer one of the requests, which was duly provided on 14 September 2015. Mr. Yeung is required to file his defence within 28 days after the decision from the High Court on the Company's application to add Mr. Pannu as the 4th defendant is handed down. The hearing for the joining of Mr. Pannu is scheduled to be heard on 13 April 2016.

The parties are engaging into negotiations with a view to settling HCA 1590/2015 and all existing disputes between them.

(b) Hong Kong High Court Action No. 1648 of 2015 (“HCA 1648/2015”)

Reference is made to the announcement of the Company dated 21 July 2015 in which it was announced that the Company had instituted legal proceedings against U-Continent in connection with alleged misrepresentations made by U-Continent in the convertible bonds agreements (the “**Agreements**”) under which U-Continent acquired a total of HK\$175,000,000 of convertible bonds in the Company. By a letter to U-Continent dated 20 July 2015, the Company rescinded the Agreements and on 21 July 2015 issued a writ of summons against U-Continent from the High Court claiming for loss and damages suffered by the Company as a result of the misrepresentations (the “**Writ**”).

The Writ has been sent to U-Continent and its solicitors for their information, however, it has not yet been formally served pending leave from the High Court to serve it out of the jurisdiction.

As a result of the above legal action, the Company has re-classified the remaining balance of convertible bonds totalling HK\$120,000,000 as at 30 June 2015 and 31 December 2015, as an amount due to U-Continent, and included in borrowings.

The parties are engaging into negotiations with a view to settling HCA 1648/2015 and all existing disputes between them.

(c) Hong Kong High Court Miscellaneous Proceedings (“HCMP 395/2015”)

Reference is made to the announcement of the Company dated 16 March 2015 in relation to the summons issued against the Receivers by the Company seeking to, amongst other things, discharge or vary the receivership order and the announcement of the Company dated 25 March 2015 in relation to the summons (the “**1st Intervener’s Summons**”) issued against the Receivers by Mr. Yeung (the “**1st Intervener**”) seeking to discharge or vary the receivership order (the “**Discharge Application**”).

At the first hearing of the Discharge Application on 1 April 2015, the High Court directed that the Discharge Application be adjourned to 31 July 2015 and, in the meantime, be advertised in order that any interested shareholder wishing to participate could apply to intervene in the adjourned hearing.

On 24 July 2015, a group of minority shareholders of the Company (the “**2nd to 9th Interveners**”) issued a summons to intervene in the hearing and seek an order that the Receivers continue in office until resumption of trading of shares in the Company on the Stock Exchange, or until further order by the High Court (the “**Minority Application**”).

The adjourned hearing of the Discharge Application was heard on 31 July 2015 together with the Minority Application. In its decision handed down on 28 August 2015, the High Court ordered that the receivership order be continued, until the trading of the shares of the Company is resumed on the Stock Exchange or until further order of the High Court (the “**28 August Decision**”).

By way of a summons dated 9 September 2015, Mr. Yeung applied to the High Court for leave to appeal the 28 August Decision. The leave application was fixed to be heard (for directions only) on 12 October 2015. By way of a consent summons dated 7 October 2015, on 9 October 2015, the Honourable Mr. Justice Anthony Chan ordered that:-

1. Paragraphs 2 of the 1st Intervener’s Summons filed on 9th September 2015 for leave to appeal against the decision of the Honourable Mr. Justice Anthony Chan made on 28th August 2015 be adjourned for argument;
2. The 1st Intervener file and serve his skeleton submissions on or before 12th January 2016;
3. The Receivers and the 2nd to 9th Interveners file and serve their respective skeleton submissions on or before 19th January 2016;

4. Upon consideration of the submissions, the matter may be disposed of on paper if the High Court sees fit;
5. The hearing returnable on 12th October 2015 at 9:30 a.m. before the Honourable Mr. Justice Anthony Chan be vacated; and
6. Costs of the application be in the cause.

By a consent summons dated 22 January 2016, the date for the 1st Intervener to file his skeleton submission was extended to 1 March 2016.

The Receivers and the 1st Intervener are engaging into negotiations with a view to settling HCMP 395/2015 and all disputes between them.

CORPORATE GOVERNANCE

The current board of directors of the Company (the “**Current 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.

Mr. Wong Ka Chun Carson (whose duties suspended by the Receivers on 9 March 2015) retired as an independent non-executive director upon conclusion of the Annual General Meeting held on 29 December 2015 (the “**AGM**”) and also ceased to be a member of the audit committee, the nomination committee and the remuneration committee of the Company upon his retirement at conclusion of the AGM.

The Current Board is pleased to report compliance with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the “**CG Code**”) for the six months ended 31 December 2015 except for the following deviations:

- (a) Code provision A.4.1 in respect of the service term of independent non-executive directors. CG Code provision A.4.1 requires that non-executive directors (including independent non-executive directors) shall be appointed for a specific term, subject to re-election. The Company deviated from the above code provision as all independent non-executive directors (“**INEDs**”) were not appointed for specific terms. However, according to the Company’s Articles and Association, one-third of the directors (including INEDs) shall retire by rotation at each annual general meeting. The Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those prescribed in the CG Code.
- (b) Code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors shall attend general meetings. Mr. Cheung Yuk Ming, one of the INEDs, did not attend the AGM by reason of his prior engagement in another meeting schedule for the same day and time.

The Current Board is responsible for the Company's corporate governance and continues to monitor and review the Company's corporate governance practices to ensure compliance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code of the conduct for securities transactions by the directors (the "**Model Code**"). The prohibitions on securities dealing and disclosure requirements in the Model Code apply to specified individuals including the Group's senior management and also persons who are privy to price sensitive information of the Group. Having made specific enquiry of all directors, the Board confirms that the directors of the Company have complied with the Model Code regarding directors' securities transactions during the period and up to the date of publication of this announcement.

AUDIT COMMITTEE

The Audit Committee comprises of three independent non-executive directors (all appointed on 9 March 2015 and re-elected at the AGM), namely Mr. Cheung Yuk Ming, Mr. Law Pui Cheung and Mr. Lai Hin Wing Henry Stephen. Up to the date of this announcement, Mr. Cheung Yuk Ming is the chairman of the Audit Committee.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters of the unaudited interim financial information and interim results for the six months ended 31 December 2015.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three independent non-executive directors (all appointed on 9 March 2015 and re-elected at the AGM), namely Mr. Law Pui Cheung, Mr. Cheung Yuk Ming and Mr. Lai Hin Wing Henry Stephen. Up to the date of this announcement, Mr. Law Pui Cheung is the chairman of the Remuneration Committee.

The Remuneration Committee is responsible for reviewing and evaluating the remuneration policies of the senior management and making recommendations to the Current Board from time to time.

NOMINATION COMMITTEE

The Nomination Committee comprises three independent non-executive directors (all appointed on 9 March 2015 and re-elected of the AGM), Mr. Lai Hin Wing Henry Stephen, Mr. Cheung Yuk Ming and Mr. Law Pui Cheung. Up to the date of this announcement, Mr. Lai Hin Wing Henry Stephen is the chairman of the Nomination Committee.

The Nomination Committee is responsible for ensuring 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 ended 31 December 2015, 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/>) 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 2015 containing all information required by the Listing Rules will be dispatched to the shareholders of the Company and be made available on the above websites in due course.

For and on behalf of
BIRMINGHAM INTERNATIONAL HOLDINGS LIMITED
(Receivers Appointed)
Liu Yiu Keung Stephen, Yen Ching Wai David and Koo Chi Sum
Joint and Several Receivers

Hong Kong, 26 February 2016

As at the date of this announcement, the Board comprises of 6 Directors, namely Mr. Liu Yiu Keung Stephen, Mr. Yen Ching Wai David and Ms. Koo Chi Sum as executive Directors; and Mr. Cheung Yuk Ming, Mr. Law Pui Cheung and Mr. Lai Hin Wing Henry Stephen as independent non-executive Directors.