

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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)**

### **UPDATE ON RESUMPTION OF TRADING**

This announcement is made by the board of directors (the “**Board**”) of Birmingham International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”), pursuant to Rule 13.24A of the Rules Governing the Listing of Securities on The Stock Exchange (the “**Stock Exchange**”) of Hong Kong Limited (the “**Listing Rules**”).

Reference is made to the Company’s announcements dated 23 November 2012 regarding the development and the progress of the application for resumption of trading of the Company’s shares on the Stock Exchange, and 19 August 2013 regarding the update on the resumption conditions imposed by the Stock Exchange. The Board wishes to update the shareholders of the Company and potential investors on the objective, scope and findings of reviews carried out by professional parties.

As announced by the Company on 26 February 2013, the Company has engaged KTC Partners CPA Limited (“**KTC**”) to conduct an internal control review of the Group’s internal control systems (the “**KTC Review**”). Further, the Company has engaged SHINEWING Specialist Advisory Services Limited (“**SHINEWING**”) to conduct an independent financial review (the “**Transaction Review**”) regarding certain known transactions in relation to the Group, Mr. Yeung Ka Sing, Carson, chairman of the Company (“**Mr. Yeung**”) and/or his associates, in particular the source and application of the Group’s relevant funds from 1 January 2007 to 30 June 2011 (the “**Known Transactions**”). In addition, the Company stated in its announcement dated 23 November 2012 that a review will be conducted in relation to the acquisition by the Company of Birmingham City Football Club (“**BCFC**”) in 2009 (the “**BCFC Review**”). Set out below are the results and findings of the above reviews.

## 1. THE KTC REVIEW

### Objectives

KTC was engaged by the Company to conduct an internal control review service and to report on the factual findings to the Company's management for their evaluation of its internal control environment and system. It consisted primarily of examination of the Company's information and documents as was available and provided by the Company to KTC, together with an assessment of the adequacy of the internal controls of the Company and the enquiry and discussion thereof with the Company's management. The objective of the engagement was to render a report which provides an assessment of whether internal procedures, systems and controls of the Company:

- are suitably designed to achieve specified control objectives;
- have been placed in operation; and
- are operating effectively, in which the specific control objectives are achieved during a specified period from KTC's testing and review.

KTC's responsibilities and deliverables include the following:

- to provide internal control review services to the Company pursuant to the scope of work agreed and production of the deliverables
- to provide the Company with the deliverables that have been subjected to KTC's internal quality assurance policies
- to raise any issues and problems with the Company that is affecting the performance of the engagement, or work programs on a timely basis

In completing their work, KTC has relied on the integrity of the information and data supplied by the Company and findings are reported on that basis.

## Scope

The scope of the review at entity-level, being mapped to the centralised function and personnel at Company level, is as follows:

- control environment (amongst others: integrity and ethical values; management philosophy; effectiveness of the Board; effectiveness of organisational structure; assignment of authority and responsibility)
- risk assessment (amongst others: risk identification and assessment; fraud risk considerations)
- control activities (amongst others: selection, establishment and development of control procedures)
- information communication (amongst others: financial reporting; internal and external communication)
- monitoring (amongst others: ongoing and separate evaluations)
- compliance readiness controls in relation to Appendix 14 of the Listing Rules (amongst others: Directors' responsibilities; accountability and audit)
- compliance readiness controls in relation to inside information (amongst others: identification process; assessment procedures; safeguarding and confidentiality measures)

The scope of the review at activity-level in relation to BCFC is as follows:

- revenue, receipts and trade receivables
- expenditure and payments
- financial reporting
- information technology
- purchase, payments and trade receivables
- human resources and payroll
- treasury management

## Findings

The review was performed by KTC in the period from 28 January 2013 to 29 March 2013, and a follow-up review was carried out at the end of May 2013. KTC have made in their report 31 observations, with corresponding recommendations. Of these 31 observations and recommendations, the Board considers 11 recommendations to be major recommendations (the “**Major Recommendations**”), all of which have already been implemented. All other recommendations (the “**Other Recommendations**”) made in the KTC Review will be implemented latest by November 2013.

Please see below for KTC’s observations and the Company’s remedial actions relating to all Major Recommendations:

<b>Observations by KTC</b>	<b>Recommendations by KTC</b>	<b>Remedial actions by the Company</b>
The Company has not yet established a disclosure and confidentiality policy and procedures.	The Company should meet regularly to discuss issues regarding disclosure and information confidentiality and establish disclosure and confidentiality policies and procedures.	Except for the appointment of a designated spokesman of the Company, the other deficiencies have been corrected.
The Board does not assess the competence and sufficiency of finance function at least annually.	The Company is advised to (i) assess the sufficiency of the finance department in support of the listing reporting requirement and (ii) set up a training budget.	The Company has implemented a training budget and the finance department had been re-shuffled.
The risk assessment process is usually not documented and thus not systematically escalated to further discussion at Board level.	The Board is advised to (i) identify and document the major risks of the Company; (ii) assess the impact of the risks from quantitative and/or qualitative perspectives; (iii) prioritize the risks from likelihood of occurrence and (iv) consult or appoint a legal professional in assessing legal risks.	The rotating audit plan is in place and the other recommendations are implemented. The Board works closely with Robertsons Solicitors & Notaries with regards to items (iii) and (iv) on all legal issues.

Observations by KTC	Recommendations by KTC	Remedial actions by the Company
The Company relies heavily on the experience and accountability of staff in application of control procedures.	The Board is advised to (i) document the measures and controls in the process of their activities; (ii) review the consistent applications of the controls and (iii) update the relevant policies and procedures in consideration of the result of risk assessment (which is absent).	The Board will assign such duties to the finance department with sufficient review by the Board. Self-control assessments are undertaken to document the practices in relation to the effectiveness of key controls.
The Company does not have a comprehensive accounting policy.	The Company should establish an operation manual which covers the Company’s general accounting principles and requirements.	An operational manual has been established.
The Company does not have in place effective monthly update reporting.	Pursuant to the corporate governance codes under the Listing Rules and disclosure requirements implied by Securities and Futures Ordinance, the Company is advised to (i) document and circulate the reporting package to all Directors; (ii) extend the coverage of reporting package beyond the realm of financial reporting to other aspects in relation to the Company’s performance, position and prospects whenever applicable and (iii) the Company would need a structured reporting mechanism and competent personnel in the information gathering process.	A reporting steering committee has been set up comprising of one executive director (the “ <b>Director</b> ”) of the Company (Mr. Matthew Chan) and one independent non-executive Director (Mr. Carson Wong). Regular management meetings are held with all Directors to update them on financial reporting.

Observations by KTC	Recommendations by KTC	Remedial actions by the Company
The Company should establish an investment committee.	The Company could consider polishing its investment policy to include procedures to establish an investment committee being responsible for, amongst others, conducting feasibility study and issuing related reports for the review of the Board and appointing due diligence professionals in the course of investment.	An investment committee has been set up comprising one executive Director (Mr. Matthew Chan) and two independent non-executive Directors (Mr. Carson Wong and Mr. Gao Shi Kui). Regular management meetings are held with all Directors to update them on developments.
The Company should improve its monitoring and disclosure actions for corporate transactions.	The Company is advised to implement procedures for identifying and disclosing corporate transactions, and that corporate governance and statutory duties for the directors are followed to ensure that (i) the development of equity investment projects are included into the monthly update for the review of the Board; (ii) there is a proper and regular assessment on the development of the corporate transaction; (iii) there is a proper and effective system to safeguard the confidentiality of the projects before public announcements and (iv) there is a proper and timely disclosure system announcing the necessary and accurate information to the public during the development of a corporate transaction.	The Company will monitor the progress of all material corporate transactions and will make relevant disclosures as the Board sees fit to do so. Internal control procedures in relation to Listing Rules are in place and regular management meetings are held.

Observations by KTC	Recommendations by KTC	Remedial actions by the Company
A number of instances of non-compliance with the Listing Rules were noted.	The Company should employ a compliance officer to ensure that all statutory and legal obligations of the Group are met.	The Company has engaged an independent advisor to advise the Company on compliance aspects. An additional independent non-executive Director will be appointed in due course.
There is no manual in place to guide the operation on which sales recognition, debtor settlement and accounting entry and control procedures, etc. are based.	Approval of operation manuals by top management and board of directors should be properly documented. The approved policies and procedures should be circulated to personnel being involved. Changes of the operation procedures should go through the same procedure accordingly.	The Group has established an operation manual which will provide guidance and govern the Group's operations.
There is a lack of evidence of approval on contract evaluations.	The Company should set out contract management procedures and communication channels between the Company and its subsidiaries. There should be a clear review and approval of the terms of contracts and considerations given regarding the commercial benefits to the Group. The Group's directors and senior management should be involved in the draft, execution and recognition of all agreements including planning of the internal controls, recognition and effect on the financial statements, legal aspects, etc.	The Group has established procedures for review and approval of future contracts by competent personnel.

As stated in the Company's announcement dated 23 November 2012, the review also covered past contracts entered into by the Company. One past contract, namely a sponsorship and cooperation agreement (the "**Agreement**"), was specifically highlighted. KTC has identified a number of findings relating to the Agreement. Please see the final item in the table above in relation to recommendations made by KTC and remedial actions taken by the Company.

KTC is expected to issue a report in December 2013 detailing the Company's progress on implementing the recommendations made in the KTC Review (the "**Second KTC Review**"). The Company will make an announcement in regards to KTC's findings upon receipt of the Second KTC Review.

## 2. THE TRANSACTION REVIEW

### Objectives

SHINEWING was engaged by the Company to conduct an independent financial review relating to certain known transactions of the Group in relation to Mr. Yeung, in particular in relation to the Known Transactions.

### Scope

The Known Transactions were apparently extracted from the general ledgers of the Company for the period from 1 January 2007 to 30 June 2011 (the "**Relevant Period**"), representing the current account transactions between the Company and Mr. Yeung. The Known Transactions also include a summary setting out the loans advanced by Mr. Yeung to BCFC during the Relevant Period.

SHINEWING has performed the following work:

- (i) reviewing the available supporting documents of the Known Transactions provided by the management of the Company and noting any abnormal or suspicious transactions; as well as identifying the payers and recipients of relevant funds;
- (ii) enquiring with the management of the Company for background and reasons for the Known Transactions; and
- (iii) requesting additional supporting documents, via the management of the Company, from third parties (e.g. banks) in relation to the Known Transactions.



The basis of the report is formed by photocopies of documents and (verbal) information given by the Company's management. SHINEWING has not requested to review any other transactions or fund flows in relation to the Company or its major subsidiaries. In addition, with the instructions and agreement from the Board, SHINEWING was not required to perform any background searches for companies/individuals involved in the relevant suspicious transactions or fund flows. SHINEWING has stated in its report that the engagement did not constitute any investigation or include any investigative work and should not be expected to uncover any potential fraud or irregularities.

## **Findings**

There were a total of 86 Known Transactions between the Company and Mr. Yeung during the Relevant Period. Total receipts from and payments to Mr. Yeung amounted to HK\$166 million and HK\$161 million respectively. There were another 14 Known Transactions between BCFC and Mr. Yeung, in the sum of GBP15 million (or HK\$188 million), during the Relevant Period.

Based on the documents and information available for SHINEWING's review, a number of features and patterns in general in respect of the Known Transactions during the Relevant Period were noted, amongst others, for funds allegedly received from Mr. Yeung, most of them were remitted from third parties, and a general lack of documentation within the Company showing the reasons behind or arrangement between Mr. Yeung and funds paid to and received from third parties. While Board minutes and letters of instruction from Mr. Yeung were prepared for legal, statutory and compliance requirements; at the same time, there was lack of documentation on the commercial and ancillary aspects of the transfer of funds via/to/from third parties.

The Board would like to highlight that the SHINEWING report has been commissioned and overseen by Directors who have resigned prior to the work of SHINEWING having been completed. The current Board has identified that not all relevant requested documentation was provided to SHINEWING at the time, due to the absence of accounting records and other supporting documentation.

Against the above backdrop, the current Board is relying on an additional fact. On the same day as Mr. Yeung's arrest due to money laundering charges, Hong Kong police executed a search warrant relating to the Company and confiscated a number of materials from the Company's corporate offices, in relation to Mr. Yeung's alleged offences. As stated in the Company's submission to the Exchange dated 15 March 2013, the solicitors representing Mr. Yeung in his criminal case, Tung, Ng, Tse & Heung, certified in their letter dated 14 March 2013 that the five charges against Mr. Yeung do not relate to any of the accounts of the Company. The solicitors have also studied the police case papers presented for the court proceedings and they do not see any connection with the Company.

Based on the above facts and legal advice, the Board is of the view that there seems to be no link between Mr. Yeung's charges and the Company's funds flows as investigated by SHINEWING.

The Transaction Review has helped the Board assess and form an opinion on those elements of the resumption conditions that relate to Mr. Yeung's conduct in the period prior to his arrest and corresponding deficiencies in the Company's internal control systems.

### 3. THE BCFC REVIEW

Against the backdrop of (i) the appointment of Mr. Peter Pannu as managing director and his providing of, inter alia, post-acquisition due diligence consultation services in relation to the Company's acquisition of Birmingham City Plc ("BCP"); (ii) the monetary savings having been brought to the Company as a result of, among others, successfully suing and then settling with the previous owners of BCFC; and (iii) recommendations from the KTC Review such as the establishment of an investment committee for any future equity investment being implemented, the Board determined that the conducting of an additional, separate review of the BCFC acquisition is currently not a priority for the Company, given other strategic priorities taking precedence, particularly considering the possibility of involving large financial resources to mount a possible legal suit against the parties concerned. The Board will, however, review this matter in due course.

The Company will make additional announcements in relation to the Company's resumption conditions periodically and as and when appropriate.

By Order of the Board  
**BIRMINGHAM INTERNATIONAL HOLDINGS LIMITED**  
**Ma Shui Cheong**  
*Executive Director*

Hong Kong, 21 October 2013

*As at the date hereof, the executive directors of the Company are Mr. Yeung Ka Sing, Carson, Mr. Peter Pannu, Mr. Ma Shui Cheong, Mr. Chan Shun Wah, Mr. Cheung Kwai Nang, Mr. Charlie Penn, Mr. Chen Liang and Mr. Cheung Shing and the independent non-executive directors are Mr. Wong Ka Chun, Carson and Mr. Gao Shi Kui.*