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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)**

### **(1) RESULTS OF INTERNAL CONTROL REVIEW AND (2) CONTINUOUS SUSPENSION OF TRADING**

Reference is made to the announcement (the “**Resumption Conditions Announcement**”) of the Company dated 18 February 2015 in respect of the conditions for resumption of trading imposed on the Company by the Stock Exchange.

#### **BACKGROUND AND RESULTS OF INTERNAL CONTROL REVIEW**

As stated in the Resumption Conditions Announcement, one of the resumption conditions is to demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems to meet its Listing Rules obligations. On 13 August 2015, the Company has engaged ANDA RS as the independent internal control reviewer to conduct the IC Review on the Group over the Review Period to assess if the Group’s financial reporting procedures and internal control systems are adequate to enable it to meet its obligations under the Listing Rules. The IC Review was conducted with reference to, among others, the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 under the Listing Rules and other relevant Listing Rules. In this regard, ANDA RS has identified a number of deficiencies in the internal control systems of the Group prior to the appointment of the new Board of the Company on 9 March 2015 and made recommendations to the new Board for improvement.

Set out below are the major deficiencies identified by ANDA RS and the Company's responses:

### **Major deficiencies**

No monthly management accounts were provided to all Directors except for BCFC.

No written authority table or policy was developed for Directors to follow. There was no guideline on limit of amount or nature of event that should only be approved by the Board instead of an individual Director.

No written authority table or policy was developed for the subsidiaries of the Company to follow. There was no guideline on limit of amount or nature of event that should only be approved and confirmed by the Board instead of making final decisions at subsidiary level.

### **Company's responses**

BCFC, being the only operating subsidiary of the Group, has been providing monthly management accounts to the Company. To strengthen the corporate governance mechanism and to comply with the Listing Rules, management accounts of the Company, the HK Subsidiaries and the BVI Subsidiaries will be prepared and combined on monthly basis by the accountant. The financial controller of the Group will review and circulate the combined management accounts as mentioned above and the BCFC's management accounts to the Directors within 25 days after the month end. A consolidated management accounts of the Group will be prepared on a quarterly basis within 40 days after each quarter end with effect from 30 September 2015.

A signing authority mandate has been adopted and implemented since 28 October 2015. The Receivers are taking up the roles as the chief executive officer and the chief financial officer of the Group during the period of the receivership. The Receivers together with the Board are responsible for the daily operation of the Company, the HK Subsidiaries and the BVI Subsidiaries. BCFC will obtain pre-approval from the Receivers and the Board before entering into material transactions. The duties of the chief executive officer and the chief financial officer of the Group will resume after the discharge of the Receivership Order.

A signing authority mandate has been adopted and implemented since 28 October 2015 under which authorities and/or policies that cover the approval limits for capital expenditures, various expenditures and bank signatories at subsidiary level have been laid down.

## Major deficiencies

Even though the Audit Committee of the Company and the Board had approved the financial statements for the year ended 30 June 2014, the Board had not signed and returned the financial statements and the requested documents to the ex-auditor for its further handling during the Review Period.

No monthly management accounts of the subsidiaries or consolidated accounts of the Group were provided to all Directors.

No written procedures to define and quantify the related party transactions and connected transactions for reporting and disclosure requirements.

No mechanism to detect or prevent the non-disclosure of related party transactions and connected transactions made by Directors or substantial shareholders.

During the period from 1 July 2014 to 9 March 2015, finance staff of the Company performed bank reconciliations semi-annually. Since 9 March 2015, bank reconciliations of the Company and Wealth Mega have been performed on a monthly basis. However, there were no independent check for the completeness and accuracy of the bank reconciliations.

## Company's responses

The Company has developed and implemented a financial reporting policy since 28 October 2015 to ensure the authorised Directors to sign and return the audited report and related documents which have been approved by the Audit Committee of the Company and the Board in a timely manner.

From September 2015 onwards, monthly management accounts of the subsidiaries have been prepared and provided to all Directors. Consolidated accounts of the Group have been prepared on a quarterly basis with effect from 30 September 2015.

Written procedures to define and quantify related party transactions and connected transactions under the disclosure requirements of the Hong Kong Accounting Standards and Listing Rules have been adopted and implemented since 28 October 2015.

Mechanism to detect or prevent the non-disclosure of related party transactions and connected transactions have been adopted and implemented since 28 October 2015. The financial controller of the Group is responsible for detecting or preventing the non-disclosure of related party transactions and connected transactions

The Receivers or their designated staff have been reviewing all bank reconciliations prepared by the accountant of the Company since 16 February 2015, i.e. the appointment date of the Receivers.

## Major deficiencies

During the period from 1 July 2014 to 16 February 2015, no supporting documents could be traced for samples selected from general ledger to supporting records files which were payments by cheques to a payee named “JYC Consultant”. The cheque payments were deposited into the personal bank account of a former employee of the Company which had been identified as part of the “Suspected Misappropriation” with reference to the announcements of the Company dated 19 January 2015 and 22 January 2015 respectively. The details of the Misappropriation are under investigation by the Hong Kong Police Force.

During the period from 1 July 2014 to 16 February 2015, no invoice/debit note or service work done could be traced for 3 samples selected from general ledger to supporting records files which were classified as consultancy fee payments and paid by cheques to three payees, namely “Asia Rays Limited”, “Peter Pannu” and “Yeung Tsz Tsung, Ryan”.

Subsequent to the actions and steps taken by the current management of the Group, ANDA RS has conducted a follow-up IC Review on the internal control systems of the Group and has issued the ICR Report on 19 November 2015. According to the ICR Report, the new Board appointed on 9 March 2015 has developed and adopted enhanced policies and measures in order to rectify the identified weakness and deficiencies in the initial IC Review. ANDA RS concluded that no material irregularity or error was found on the enhanced financial reporting procedures and the internal control systems of the Group.

Having considered the results of the IC Review, the Directors (including all independent non-executive Directors) are of the view that the Company has put in place adequate financial reporting procedures and internal control systems to meet its obligations under the Listing Rules.

## Company’s responses

Proper accounting records have been maintained for transactions after 16 February 2015, i.e. the appointment date of the Receivers.

No such transactions have been recorded after 16 February 2015, i.e. the appointment date of the Receivers.

## CONTINUOUS SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 10:21 a.m. on 4 December 2014. Trading in the Shares will remain suspended until further notice. The Company will make further announcements on the latest development of the Group as and when appropriate pursuant to the requirements of the Listing Rules.

## DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context otherwise requires:

“ANDA RS”	ZHONGHUI ANDA Risk Services Limited, the independent internal control reviewer to conduct the IC Review
“BCFC”	Birmingham City Football Club PLC, a public limited liability company incorporated under the laws of England and Wales, which is principally engaged in football club operation and wholly owned by Birmingham City PLC, a 96.64% directly owned subsidiary of the Company
“Board”	the board of Directors
“BVI Subsidiaries”	the major subsidiaries of the Company incorporated in British Virgin Islands including (i) Birmingham Investments Holdings Limited; (ii) Birmingham (Hong Kong) Limited; (iii) Birmingham International Consultant Limited; (iv) Round Soar Global Limited; (v) Far Grow Investments Limited; and (vi) Skyline Global Investments Limited
“Company”	Birmingham International Holdings Limited (Receivers Appointed), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company from time to time
“Group”	the Company and its subsidiaries
“HK Subsidiaries”	the major subsidiaries of the Company incorporated in Hong Kong including (i) Birmingham International Management Limited; (ii) Wealth Mega; and (iii) Quick Dart Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“IC Review”	the internal control review conducted by ANDA RS on the Group over the period from 1 July 2014 to 31 August 2015
“ICR Report”	the internal control review report issued by ANDA RS on 19 November 2015
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Misappropriation”	the suspected misappropriation of funds of an aggregate sum of HK\$38 million by a former employee of the Company, details of which are set out in the announcements of the Company dated 19 January 2015 and 22 January 2015 respectively
“Receivers”	Messrs. Stephen Liu Yiu Keung, David Yen Ching Wai and Koo Chi Sum all of Ernst & Young Transactions Limited of 62nd Floor, One Island East, 18 Westlands Road, Island East, Hong Kong
“Receivership Order”	an order of the High Court of Hong Kong dated 16 February 2015 pursuant to which the Receivers were appointed as receivers over the Company as a matter of Hong Kong law
“Review Period”	the period from 1 July 2014 to 31 August 2015
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wealth Mega”	Wealth Mega Trading Limited, a direct wholly owned subsidiary of the Company which acts as a major subsidiary for administrative activities in Hong Kong during the Review Period
“%”	per cent

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, 19 July 2016

*As at the date of this announcement, the Board comprises of six 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.*