THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus or as to the action to be taken, you should consult a licensed securities dealer, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares, you should at once hand the Prospectus Documents to the purchaser or transferee or to the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of this Prospectus, together with the Application Form and the documents specified in the paragraph headed "Documents delivered to the Registrars of Companies" in Appendix IV to this Prospectus, have been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance in Hong Kong. The Registrar of Companies in Hong Kong and the Securities and Futures Commission in Hong Kong take no responsibility as to the contents of any document referred to above.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC (as defined herein) for deposit, clearance and settlement in CCASS (as defined herein) with effect from the commencement date of dealings in the Offer Shares or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. You should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

GRANDTOP INTERNATIONAL HOLDINGS LIMITED
泓鋒國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2309)

OPEN OFFER OF 1,961,694,400 OFFER SHARES ON THE BASIS OF EIGHT OFFER SHARES FOR EVERY FIVE EXISTING SHARES HELD ON THE RECORD DATE

Financial Adviser to Grandtop International Holdings Limited

KINGSTON CORPORATE FINANCE LIMITED

Underwriter of the Open Offer

KINGSTON SECURITIES LIMITED

The latest time for acceptance of application and payment for the Offer Shares is 4:00 p.m. on Wednesday, 14 October 2009 (the "Latest Time for Acceptance"). The procedure for acceptance and payment is set out on pages 31 to 33 of this Prospectus.

Shareholders should note that the Shares have been dealt with on an ex-entitlement basis commencing from Wednesday, 23 September 2009 and that dealing in Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on Friday, 16 October 2009), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

The Underwriting Agreement contains provisions entitling the Underwriter by notice in writing to the Company served prior to 4:00 p.m. on Friday, 16 October, 2009 to terminate the Underwriting Agreement on the occurrence of certain events as set out in the section headed "Termination of the Underwriting Agreement" on pages 9 to 10 of this Prospectus.

If the Underwriter terminates the Underwriting Agreement, or if the conditions of the Underwriting Agreement are not fulfilled (or waived by the Underwriter) in accordance with the terms thereof, the Open Offer will not proceed. Shareholders should therefore exercise caution when dealing in the Shares, and if they are in any doubt about their position, they are recommended to consult their professional advisers.

30 September 2009

* *For identification purpose only*

CONTENTS

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

"Acquisition"	the acquisition of BCFC Shares under the General Offer
"Application Form"	the form of application for use by the Qualifying Shareholders to apply for the Offer Shares
"AIM"	Alternative Investment Market, a market operated by the London Stock Exchange
"associates"	has the meaning ascribed thereto under the Listing Rules
"BCFC"	Birmingham City PLC, a company the shares of which are quoted on the AIM and which owns a Premier League football club
"BCFC Group"	BCFC and its subsidiary
"BCFC Shares"	issued ordinary share(s) of £0.10 each in the capital of BCFC
"BCFC Shareholders"	the holders of BCFC Shares
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"CCASS Operational Procedures"	means the Operational Procedures of HKSCC in relation to CCASS, containing the practices procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
"Companies Ordinance"	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
"Company"	Grandtop International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
"Connected Persons"	has the meaning ascribed thereto under the Listing Rules
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting held by the Company on 29 September 2009 approving the General Offer and Open Offer
"Enlarged Group"	the Group immediately following completion of the Acquisition
"General Offer"	the conditional offer which is made by the Company on 15 September 2009 to acquire the entire issued share capital of BCFC not already owned by the Company on the terms and subject to the conditions set out or referred to in the offer document sent out to the BCFC Shareholders
"Great Luck"	Great Luck Management Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Yeung
"Group"	the Company and its subsidiaries

"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Shareholders"	Shareholders other than Mr. Yeung, Mr. Hui and their respective associates (including Ms. Leung, being an associate of Mr. Hui)
"Independent Third Party"	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons within the meaning of the Listing Rules
"Last Trading Date"	20 August 2009, being the last trading day of the Shares before the date of the Underwriting Agreement
"Latest Lodging Date"	4:30 p.m. on Thursday, 24 September 2009 as the latest time for lodging transfer of Shares in order to qualify for the Open Offer
"Latest Practicable Date"	25 September 2009, being the latest practicable date prior to the printing of this Prospectus for inclusion of certain information in this Prospectus
"Latest Time for Acceptance"	4:00 p.m. on Wednesday, 14 October 2009 or such later time or date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of, and payment for, the Offer Shares
"Latest Time for Termination"	4:00 p.m. on the second business day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and the Underwriter, being the latest time to terminate the Underwriting Agreement

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Hui"	Mr. Hui Ho Luek, Vico, an executive Director
"Mr. Yeung"	Mr. Yeung Ka Sing, Carson, an executive Director
"Ms. Leung"	Ms. Leung Choi Fan, the spouse of Mr. Hui
"Offer Announcement"	the announcement of the terms of the General Offer released by the Company in the United Kingdom on 21 August 2009, a copy of which is set out in Appendix I to the circular of the Company dated 14 September 2009
"Offer Document"	the document released to the BCFC Shareholders on 15 September 2009 in order to make the General Offer and containing, inter alia, the terms and conditions of the General Offer
"Offer Share(s)"	1,961,694,400 new Shares proposed to be offered to the Qualifying Shareholders for subscription on the basis of eight Offer Shares for every five existing Shares held on the Record Date and payable in full on acceptance pursuant to the Open Offer
"Open Offer"	the proposed issue of the Offer Shares by way of Open Offer to the Qualifying Shareholders on the terms to be set out in the Prospectus Documents and summarised herein
"Options"	outstanding options exercisable by the holders thereof to subscribe for 26,000,000 Shares pursuant to the share option scheme adopted by the Company on 22 October 2002 and 30 July 2007
"Overseas Shareholders"	the Shareholders with registered addresses on the register of members of the Company which are outside Hong Kong on the Record Date

"Premier League"	the professional football league by that name in the United Kingdom which is administered by The Football Association Premier League Limited
"Premier Rise"	Premier Rise Investments Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Hui
"Prohibited Shareholder(s)"	those Overseas Shareholder(s) to whom the Board, after making enquires, considers it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Offer Shares to them
"Prospectus"	this prospectus issued by the Company in relation to the Open Offer
"Prospectus Documents"	this Prospectus and the Application Form in respect of the assured allotment of Offer Shares
"Prospectus Posting Date"	the date of posting the Prospectus Documents to Qualifying Shareholders
"Qualifying Shareholders"	the Shareholders, other than the Prohibited Shareholders, whose names appear on the register of members of the Company as at the close of business on the Record Date
"Record Date"	29 September 2009, being the date by reference to which entitlements to the Open Offer will be determined
"Registrar"	Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, being the Company's Hong Kong branch share registrar
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"Share(s)"	ordinary share(s) of HK$0.01 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Specified Event"	an event occurring or matter arising on or after the date hereof and prior to the Latest Time for Termination which if it had occurred or arisen before the date hereof would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the subscription price of HK$0.40 per Offer Share
"Undertaking"	the irrevocable undertakings dated 21 August 2009 and given by each of Great Luck, Mr. Yeung, Premier Rise and Ms. Leung in favour of the Company and the Underwriter, further details of which are set out in the paragraph headed "Undertaking given by Great Luck, Mr. Yeung, Premier Rise and Ms. Leung" in the section headed "Open Offer" in this Prospectus
"Underwriter"	Kingston Securities Limited, a licensed corporation to carry on business in type 1 (dealing in securities) regulated activity under the SFO
"Underwriting Agreement"	the underwriting agreement dated 21 August 2009 entered into between the Company and the Underwriter in relation to the Open Offer
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

The expected timetable for the Open Offer is set out below:

	2009
Record Date	Tuesday, 29 September
Register of members for the Shares re-opens	Wednesday, 30 September
Despatch of Prospectus Documents	Wednesday, 30 September
Latest time for acceptance of and payment for Offer Shares	4:00 p.m. on Wednesday, 14 October
Latest time for the Open Offer to become unconditional	4:00 p.m. on Friday, 16 October
Announcement of the results of the Open Offer	Friday, 16 October
Despatch of share certificates for Offer Shares	Tuesday, 20 October
Dealing in fully-paid Offer Shares commences	Thursday, 22 October

All times stated in this Prospectus refer to Hong Kong times. Dates or deadlines specified in this Prospectus are indicative only and may be extended or varied by the Company.

Further announcement will be made in the event that there is any change to the expected timetable for the Open Offer.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE OFFER SHARES

The latest time for acceptance of and payment for the Offer Shares will not take place if there is:

1. a tropical cyclone warning signal number 8 or above, or

2. a "black" rainstorm warning

   (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Latest Time for Acceptance. Instead the Latest Time for Acceptance of the Offer Shares will be extended to 5:00 p.m. on the same Business Day;

   (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Time for Acceptance. Instead the Latest Time for Acceptance of the Offer Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance of the Offer Shares does not take place on the Latest Time for Acceptance, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if, prior to such time:

(1) in the absolute opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:

(a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Underwriter, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement), of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(c) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or

(d) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(e) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise; or

(f) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days (as defined in the Listing Rules), excluding any suspension in connection with the clearance of the announcement in relation to the Open Offer or the Prospectus Documents or other announcements or circulars in connection with the Open Offer; or

(2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this paragraph includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the absolute opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Open Offer; or

(3) the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Open Offer.

If the Underwriter gives a notice of termination to the Company in accordance with the terms of the Underwriting Agreement, all obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter any reasonable legal fees and other reasonable out-of-pocket expenses incurred by the Underwriter, except that the 2.5% underwriting fee shall not be payable to the Underwriter if the Underwriting Agreement does not become unconditional or if it is terminated by the Underwriter pursuant to the Underwriting Agreement. If the Underwriter exercises its right to terminate the Underwriting Agreement, the Open Offer will not proceed.

GRANDTOP INTERNATIONAL HOLDINGS LIMITED
泓鋒國際控股有限公司*

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

Executive Directors:
Mr. Yeung Ka Sing, Carson
Mr. Hui Ho Luek, Vico
Mr. Steven McManaman
Mr. Lee Yiu Tung
Mr. Ip Wing Lun
Ms. Wong Po Ling, Pauline

Non-executive Directors
Mr. Christian Lali Karembeu
Mr. Chan Wai Keung

Independent non-executive Directors:
Mr. Chang Kin Man
Mr. Yau Yan Ming Raymond
Mr. Zhou Han Ping

Registered Office:
Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Unit 3008, 30th Floor,
West Tower, Shun Tak Centre
No. 168-200 Connaught Road Central,
Hong Kong

30 September 2009

To the Shareholders and
for information only, the Prohibited Shareholders

Dear Sir or Madam,

OPEN OFFER OF 1,961,694,400 OFFER SHARES ON THE BASIS OF EIGHT OFFER SHARES FOR EVERY FIVE EXISTING SHARES HELD ON THE RECORD DATE

INTRODUCTION

On 21 August 2009, the Board announced that the Company proposed to raise not less than approximately HK$784,677,760 before expenses (assuming all the outstanding Options were not exercised on or before the Record Date) and not more than approximately HK$801,317,760 (assuming all the outstanding Options were fully exercised on or before

* *For identification purpose only*

the Record Date), by way of Open Offer of not less than 1,961,694,400 Offer Shares (assuming the all outstanding Options were not exercised on or before the Record Date) and not more than 2,003,294,400 Offer Shares (assuming all the outstanding Options were fully exercised on or before the Record Date) to Qualifying Shareholders, at a price of HK$0.40 per Offer Share on the basis of eight Offer Shares for every five existing Shares held on the Record Date and payable in full on acceptance. The Open Offer will not be extended to the Prohibited Shareholders.

As at the Record Date, the Company has 1,226,059,000 Shares in issue. Accordingly, 1,961,694,400 Offer Shares will be issued and allotted under the Open Offer.

On 29 September 2009, a resolution approving the Open Offer was duly passed by Independent Shareholders at the EGM.

The purpose of this Prospectus is to provide you with, among others, further information regarding the Open Offer, including information on dealings in and application for Offer Shares, and financial and other information of the Group.

OPEN OFFER

Issue statistics

Basis of the Open Offer:	Eight Offer Shares for every five existing Shares held on the Record Date and payable in full on acceptance
Subscription Price:	HK$0.40 per Offer Share
Number of Shares in issue as at the Latest Practicable Date:	1,226,059,000
Number of Shares in issue as at the Record Date:	1,226,059,000
Number of Offer Shares:	1,961,694,400 Offer Shares, representing approximately 160.00% of the existing issued share capital of the Company and 61.54% of the enlarged issued share capital of the Company upon completion of the Open Offer

Number of Offer Shares undertaken to be taken up by Great Luck, Mr. Yeung, Premier Rise and Ms. Leung:	Pursuant to the Undertaking, each of Great Luck, Mr. Yeung, Premier Rise and Ms. Leung has given the Undertaking in favour of the Company and the Underwriter to subscribe for 199,878,400, 85,286,400, 100,800,000 and 21,192,000 Offer Shares to which they are entitled under the Open Offer, respectively
Aggregate nominal value of the Open Offer:	HK$19,616,944
Number of Offer Shares underwritten by the Underwriter:	Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite or procure the sub-underwriting of the Offer Shares (other than the Offer Shares agreed to be taken up by Great Luck, Mr. Yeung, Premier Rise and Ms. Leung) which have not been taken up, being 1,554,537,600 Offer Shares. Accordingly, the Open Offer is fully underwritten
Number of Shares in issue upon completion of the Open Offer:	3,187,753,400

Save for the outstanding Options, the Company has no derivatives, options, warrants or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date and has not issued any new Shares or any of the above securities before the Record Date.

Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders. The Company will send (i) the Prospectus Documents to the Qualifying Shareholders and (ii) the Overseas Letter together with the Prospectus, for information only, to the Prohibited Shareholders. To qualify for the Open Offer, the Shareholders must at the close of business on the Record Date:

(i) be registered on the register of members of the Company; and

(ii) not be the Prohibited Shareholders.

In order to be registered as members of the Company on the Record Date, the Shareholders must lodge any transfer of the Shares (with the relevant share certificates) for registration with the Registrar by 4:30 p.m. on Thursday, 24 September 2009. The address of the Registrar is Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

The invitation to subscribe for the Offer Shares to be made to the Qualifying Shareholders will not be transferable. The Directors consider that the arrangement of trading in nil-paid entitlements on the Stock Exchange will involve additional administrative work and costs for the Open Offer, which is not considered to be cost-effective.

Closure of register of members

The register of members of the Company was closed from Friday, 25 September 2009 to Tuesday, 29 September 2009, both dates inclusive, to determine the eligibility of the Open Offer. No transfer of Shares had been registered during this period.

Subscription Price

The Subscription Price for the Offer Shares is HK$0.40 per Offer Share, payable in full on application. The Subscription Price represents:

(i) a discount of 1.23% to the closing price of HK$0.405 per Share as quoted on the Stock Exchange on the Last Trading Date;

(ii) a discount of approximately 0.50% to the theoretical ex-entitlement price of approximately HK$0.402 per Share based on the closing price of HK$0.405 per Share as quoted on the Stock Exchange on the Last Trading Date;

(iii) a discount of approximately 7.62% to the average of the closing price of HK$0.433 per Share for the last five consecutive trading days up to and including the Last Trading Date;

(iv) a discount of approximately 8.26% to the average of the closing price of HK$0.436 per Share for the last ten consecutive trading days up to the Last Trading Date; and

(v) a premium of approximately 1.27% to the closing price of HK$0.395 per Share as at the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to, among other things, the prevailing market price of the Shares. Taking into consideration of the theoretical ex-entitlement price per Share, in order to increase the attractiveness of the Open Offer to the Qualifying Shareholders, the Directors consider that the proposed discount of the Subscription Price is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors consider that the Subscription Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Fractions of the Offer Shares

Any fractional entitlements or allotments in the Open Offer will be disregarded.

Status of the Offer Shares

The Offer Shares (when allotted, fully paid and issued) will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Offer Shares. Holders of the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares. Dealing in fully-paid Offer Shares will commence on Thursday, 22 October 2009.

Certificates of the fully-paid Offer Shares

Subject to fulfillment of the conditions of the Open Offer, share certificates for the Offer Shares are expected to be posted on or before Tuesday, 20 October 2009 to those entitled thereto by ordinary post at their own risk.

Rights of the Overseas Shareholders

As at the close of business on the Record Date, there were no Shareholders whose address on the register of members of the Company was in a place outside Hong Kong. Therefore, all Shareholders are eligible to take part in the Open Offer. The Prospectus Documents will not be registered and/or filed under the applicable legislation of any jurisdictions other than Hong Kong.

No Application for excess Offer Shares

There is no arrangement for application for Offer Shares by Qualifying Shareholders in excess of their entitlements. Considering that each Qualifying Shareholder will be given an equal and fair opportunity to participate in the Company's future development by subscribing for his/her/its proportionate entitlement under the Open Offer, if application for excess Offer Shares is arranged, the Company will be required to put in additional effort and costs to administer the excess application procedures, which is not cost-effective from the viewpoint of the Company. Any Offer Shares not taken up by the Qualifying Shareholders will be taken up by the Underwriter and/or subscribers procured by the Underwriter.

Application for listing

The Company has applied to the Listing Committee for the listing of, and permission to deal in, the Offer Shares.

Subject to the grant of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Offer Shares in board lots of 2,000 Shares, which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty and any other charges and fees in Hong Kong.

UNDERWRITING ARRANGEMENT

Underwriting Agreement

Date:	21 August 2009
Underwriter:	Kingston Securities Limited

Number of Offer Shares underwritten:	Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite not less than 1,554,537,600 Offer Shares and not more than 1,596,137,600 Offer Shares (other than the Offer Shares agreed to be taken up by Great Luck, Mr. Yeung, Premier Rise and Ms. Leung) which have not been taken up. Accordingly, the Open Offer is fully underwritten
Commission:	2.5% of the aggregate Subscription Price in respect of the number of Offer Shares agreed to be underwritten by the Underwriter, being not less than 1,554,537,600 Offer Shares and not more than 1,596,137,600 Offer Shares

The Underwriter and its ultimate beneficial owners are Independent Third Parties.

Pursuant to the Underwriting Agreement, in the event of the Underwriter being called upon to subscribe for the Underwritten Shares, the Underwriter shall not subscribe for its own account for such number of Underwritten Shares which will result in the shareholding of it and parties acting in concert (within the meaning of the Takeovers Code) with it in the Company to 30% or above of the issued share capital of the Company as enlarged by the Open Offer and the Underwriter shall procure sub-underwriters not to take up the Offer Shares in excess of 19.99% such that it will not hold 20% or more of the issued share capital of the Company as enlarged by the Open Offer. The Underwriter shall ensure that none of the subscribers of the Underwritten Shares procured by the Underwriter or the sub-underwriters will become a substantial shareholder (as defined in the Listing Rules) of the Company as a result of such subscription.

The 2.5% commission payable to the Underwriter was determined after arm's length negotiations between the Company and the Underwriter based on normal commercial terms with reference to the market rates for transactions of a similar nature. The Directors are of the opinion that the terms of the Underwriting Agreement and the amount of commission given to the Underwriter are fair as compared to the market practice and commercially reasonable as agreed between the Company and the Underwriter.

Undertaking given by Great Luck, Mr. Yeung, Premier Rise and Ms. Leung

Each of Great Luck, Mr. Yeung, Premier Rise and Ms. Leung has given the Undertaking in favour of the Company and the Underwriter to subscribe for 199,878,400, 85,286,400, 100,800,000 and 21,192,000 Offer Shares to which they are entitled under the Open Offer, respectively.

Termination of the Underwriting Agreement

The Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if, prior to such time:

(1) in the absolute opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:

(a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Underwriter, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement), of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(c) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or

(d) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(e) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise; or

(f) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days (as defined in the Listing Rules), excluding any suspension in connection with the clearance of the announcement in relation to the Open Offer or the Prospectus Documents or other announcements or circulars in connection with the Open Offer; or

(2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this paragraph includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the absolute opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Open Offer; or

(3) the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Open Offer.

If the Underwriter gives a notice of termination to the Company in accordance with the terms of the Underwriting Agreement, all obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter any reasonable legal fees and other reasonable out-of-pocket expenses incurred by the Underwriter, except that the 2.5% underwriting fee shall not be payable to the Underwriter if the Underwriting Agreement does not become unconditional or if it is terminated by the Underwriter pursuant to the Underwriting Agreement. If the Underwriter exercises its right to terminate the Underwriting Agreement, the Open Offer will not proceed.

Conditions of the Open Offer

The Open Offer is conditional upon:

(1) the approval of the Open Offer by the Independent Shareholders at the EGM;

(2) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, all the Offer Shares (in their fully-paid form);

(3) the filing and registration of all documents relating to the Open Offer, which are required to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies Ordinance;

(4) the posting of the Prospectus Documents to Qualifying Shareholders and holders of the Convertible Notes, and the posting of the Prospectus and a letter in the agreed form to the Prohibited Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;

(5) compliance with and performance of all the undertakings and obligations of the Company and the Underwriter under the terms of the Underwriting Agreement;

(6) compliance with and performance by Great Luck, Mr. Yeung, Premier Rise and Ms. Leung of all of their obligations and undertakings under the Undertaking;

(7) if necessary, the registration with the Registrar of Companies in the Cayman Islands of one copy of each of the Prospectus Documents, signed by or on behalf of all the Directors prior to or as soon as reasonably practicable after publication of, the Prospectus Documents;

(8) where necessary, the entering into of sub-underwriting agreements by the Underwriter with certain sub-underwriters, which shall be independent third parties of the Company and its connected persons within the meaning of the Listing Rules, for sub-underwriting the Offer Shares such that (a) none of the sub-underwriters and their respective parties acting in concert (having the meaning under the Takeovers Code) shall be interested in 20% or more of the issued share capital of the Company as enlarged by the Open Offer; and (b) the Underwriter and parties acting in concert with it will not be beneficially interested in 30% or more of the issued share capital of the Company as enlarged by the Open Offer; and

(9) an undertaking given by the Company to the Underwriter undertaking to use the proceeds of the Open Offer for the repayment of the HK$690,000,000 loan from Best China Limited.

The Underwriter may at any time by notice in writing to the Company waive the conditions precedent set out in paragraph (5) above. Save and except the conditions precedent set out in paragraph (5) above, the other conditions precedent are incapable of being waived. If the conditions precedent are not satisfied and/or waived in whole or in part by the Underwriter by the Latest Time for Termination or such other date as the Company and the Underwriter may agree, the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

As at the Latest Practicable Date, conditions (1) and (9) have been fulfilled.

WARNING OF THE RISK OF DEALING IN THE SHARES

Shareholders and potential investors should note that the Open Offer is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Open Offer may or may not proceed.

Shareholders and potential investors should therefore exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares have been dealt with on an ex-entitlement basis commencing from Wednesday, 23 September 2009 and that dealing in Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on Friday, 16 October 2009), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

SHAREHOLDING STRUCTURE OF THE COMPANY

The changes in the shareholding structure of the Company arising from the Open Offer will be as follows:

	As at the Latest Practicable Date		Immediately after completion of the Open Offer on the assumption as set out in Note 1		Immediately after completion of the Open Offer on the assumption as set out in Note 2	
Shareholders	*No. of Shares*	*%*	*No. of shares*	*%*	*No. of shares*	*%*
Great Luck Management Limited *(Note 3)*	124,924,000	10.19	324,802,400	10.19	324,802,400	10.19
Mr. Yeung	71,328,000	5.82	185,452,800	5.82	185,452,800	5.82
Premier Rise Investments Limited *(Note 4)*	63,000,000	5.14	163,800,000	5.14	163,800,000	5.14
Ms. Leung *(Note 5)*	13,245,000	1.08	34,437,000	1.08	34,437,000	1.08
Public						
Underwriter *(Note 6)*					953,138,267	29.90
sub-underwriters					572,560,933	17.96
Other public Shareholders	953,562,000	77.77	2,479,261,200	77.77	953,562,000	29.91
	1,226,059,000	100.00	3,187,753,400	100.00	3,187,753,400	100.00

Notes:

1. Assuming all Shareholders take up their respective entitlements under the Open Offer in full.

2. Assuming none of the Shareholders (save for Great Luck, Mr. Yeung, Premier Rise and Ms. Leung take up the Offer Shares provisionally allotted to them) takes up any of the Offer Shares; (ii) the provisional allotments of the Offer Shares of all Shareholders (save for Great Luck, Mr. Yeung, Premier Rise and Ms. Leung) are taken up by the Underwriter pursuant to the Underwriting Agreement but subject to a cap of 29.90%. In the event of the Underwriter being called upon to subscribe for the amount of untaken Shares exceeding 29.90%, the Underwriter will procure other sub-underwriter(s) to subscribe for the remaining untaken Shares.

3. These Shares are held by Great Luck Management Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Yeung.

4. These Shares are held by Premier Rise Investments Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Hui.

5. These Shares are held by Ms. Leung, the spouse of Mr. Hui.

6. Kingston Securities Limited's underwriting of the Open Offer is capped at 29.90% of the enlarged issued share capital of the Company.

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

Based on the 1,961,694,400 Offer Shares which are proposed to be issued, the gross proceeds from the Open Offer will be approximately HK$784,677,760. The estimated net proceeds from the Open Offer after deducting for expenses (including underwriting fee of approximately HK$19,617,000 and professional fees and other expenses of approximately HK$15,120,000) will be approximately HK$750,000,000. The Board intends to apply HK$690,000,000 of such proceeds from the Open Offer in repayment of the HK$690,000,000 loan from Best China Limited with the balance for working capital and payment of costs incurred in the Acquisition. In the event that the Acquisition does not proceed, the proceeds of the Open Offer will be used to finance other acquisitions to enhance Shareholders' return though none has yet been identified. The Acquisition and the Open Offer are not interconditional because it was a commercial term in negotiations. The net price to be raised per Share upon completion of the Open Offer will be approximately HK$0.38 per Share on the basis that approximately HK$40 million of expenses will be incurred for the Acquisition and Open Offer.

Having considered other fund raising alternatives for the Group, including bank borrowings, and taking into account the benefits and cost of each of the alternatives and the fact that, the Open Offer allows the Group to strengthen its equity capital base, the Board considers that the Open Offer is in the interest of the Company and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so. **However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted.**

Under the requirement of Rule 14.82 of the Listing Rules, if an issuer consists wholly or substantially of cash or short dated securities, it will not be regarded as suitable for listing. If the Acquisition does not proceed but the Open Offer proceeds, the Company proposes to use the proceeds from the open offer for future investments when opportunities arise. The Company may or may not fall within Rule 14.82 and to the extent that it consists wholly or substantially of cash or short dated securities, the Company will apply for a suspension of trading in its Shares.

FINANCING THE GENERAL OFFER

Under the General Offer, the Company intends to make an offer for the entire issued share capital of BCFC not already owed by the Company. The General Offer, which, when made, will be subject to the terms and conditions of the Offer Announcement and to the full terms and conditions to be set out in the Offer Document. BCFC Shareholders will be entitled to receive for each BCFC share 100 pence in cash (approximately HK$12.80) for all the BCFC Shares subject to the General Offer.

The payment of the General Offer consideration (assuming that all holders of BCFC Shares to which the General Offer relates accept the General Offer) will require the payment by the Company of £57,129,025 (approximately HK$731,251,520).

To the extent that the Open Offer is approved and completed, the proceeds of the Open Offer will be used directly or indirectly to finance the Acquisition. The Company has entered into a loan facility agreement with Best China Limited, a company beneficially owned by Mrs. Chu Yuet Wah, the controlling shareholder of Kingston Securities Limited on 13 August 2009 for a loan of up to HK$690,000,000 and HK$690,000,000 has been drawn down under the facility in order for the Company to be in a position to pay the required amount to accepting BCFC Shareholders under the General Offer. Upon the completion of the Open Offer, the proceeds of the Open Offer will be used directly or indirectly to finance the Acquisition and/or repay the amount drawndown under the loan facility agreement. Repayment and payment of amounts due under the loan facility agreement by the Company has been guaranteed by Mr. Yeung and Mr. Hui and secured by a debenture over the assets of the Company including the 24,375,975 BCFC Shares already owned by the Company and those to be acquired by the Company under the General Offer. In the event the Open Offer is not approved, the Company will seek third party financing to repay the loan or negotiate the extension of the repayment period of the loan.

INFORMATION ON BCFC

BCFC was incorporated on 14 January 1997. Its principal activity is that of a holding company. Birmingham City F.C., a professional football club, was founded in 1875 and is owned and operated by BCFC's sole subsidiary. BCFC's share capital is admitted to trading on AIM. The BCFC Group's main assets consist of freehold land and buildings, acquired players' registrations, fixtures and equipment, and motor vehicles in the United

Kingdom. The payment of the General Offer consideration (assuming that all holders of BCFC Shares to which the General Offer relates accept the General Offer) will require the payment by the Company of £57,129,025 (approximately HK$731,251,520). The proceeds of the Open Offer will be used directly or indirectly to finance the Acquisition. The Directors do not intend that there will be any variation in the aggregate of the remuneration payable to and benefits in kind receiveable by the directors of BCFC in consequence of the Acquisition.

Below are the audited consolidated financial information on BCFC for the two years ended 31 August 2007 and 31 August 2008 which were prepared in accordance with International Financial Reporting Standards ("IFRS") and are extracted from the audited consolidated financial statements of BCFC, and the unaudited consolidated financial information on BCFC for the six month period ended 28 February 2009.

The financial statements of BCFC for the year ended 31 August 2006 were prepared in accordance with UK General Accepted Accounting Policy ("UK GAAP"). Reconciliation between UK GAAP to IFRSs has been performed by the auditor of BCFC which is stated in Appendix V pages 108 to 138 of the Prospectus.

A summary on items that are different in accounting treatment under UKGAAP and IFRSs of the financial statements of BCFC for the year ended 31 August 2006 were stated as follow:

(a) Intangible fixed assets

Under UK GAAP

The costs associated with the acquisition of players' registrations are capitalised as intangible assets. These costs are amortised over the period of the players' initial contracts. The amortisation periods are between 1 and 5 years.

An impairment review is also carried out on an annual basis, and where there is evidence of impairment, players' registrations are written down to their recoverable amounts. Under the conditions of certain transfer agreements, further fees will be payable to the vendors in the event of the players concerned making a certain number of first team appearances or on the occurrence of other certain specified future events. Liabilities in respect of these additional transfer fees are shown in trade creditors, when it becomes probable that these conditions will occur.

Under IFRSs

The costs associated with the acquisition of players' registrations are initially recorded at their fair value at the date of acquisition. These costs are fully amortised over the period of the respective players' contracts, being between 1 and 5 years. A provision is made in accruals, where in management's opinion, the club is likely to achieve promotion to the premiership league or retain premiership status or where a player is likely to achieve a contractually agreed number of first team appearances. Where the outcome of this is uncertain, the maximum amount payable is disclosed as a contingent liability.

For the purposes of impairment reviews, acquired players' registrations are classified as a single cash generating unit until the point at which it is made clear that the player no longer remains an active member of the playing squad. In these circumstances the carrying value of the players' registration is reviewed against a measurable net realisable value.

Acquired players' registrations are classified as 'Assets held for sale' on the balance sheet if, at any time it is considered that the carrying amount of a registration will be recovered principally through a sale. The measurement of the registration is the lower of (a) fair value (less costs to sell) and (b) carrying value. Amortisation of the asset is suspended at the time of reclassification, although impairment charges still need to be made if applicable.

Intangible assets with an indefinite life are systematically tested for impairment at each balance sheet date.

(b) Signing on fees

Signing on fees were charged to the income statement on a cash paid basis under UK GAAP. A change in accounting policy has meant that signing on fees are now accounted for on a straight-line basis over the period of the players' contracts and are now recognised on an accruals basis under IFRSs.

(c) Interest rate swap

Under IFRSs, provision were made in respect of the fair value attributable of the interest rate swap at the end of each year and whereas no such valuation requirement under UK GAAP.

As mentioned in the Preface of HKFRSs, since 1 January 2005, HKFRSs have been fully harmonised with IFRSs as issued by the International Accounting Standard Board. As a result of this process of convergence, the HKFRSs issued by the HKICPA substantially mirrors IFRSs and hence, no principal difference should exist between the accounting policies of the Company and BCFC whether under HKFRSs or IFRSs in respect of the consolidated financial information on BCFC for the two years ended 31 August 2007 and 2008. Moreover, based on the convergence of HKFRSs towards IFRSs as mentioned above, the items that are different in accounting treatment under UKGAAP and HKFRSs of the financial statements of BCFC for the year ended 31 August 2006 were similar to those mentioned in items (a), (b) and (c) above.

	For the year ended 31 August 2007 (audited) (restated)	**For the year ended 31 August 2008 (audited)**	**For the six months' period ended 28 February 2009 (unaudited)**
	(£)	*(£)*	*(£)*
Turnover	25,039,000	49,836,000	15,614,000
Profit/(loss) before taxation	(6,634,000)	4,296,000	(3,856,000)
Profit/(loss) after taxation	(4,745,000)	2,596,000	(2,791,000)
Net Assets	9,044,000	11,640,000	8,849,000
Total Assets	57,418,000	47,598,000	33,714,000

The market values of BCFC as at the close of business on 20 August 2009 and as at 9 September 2009 are approximately £52.6 million and £75.0 million respectively.

Save as already disclosed herein, there is no information on BCFC and its group of companies in the public domain which the Company is aware and free to disclose.

INDEBTEDNESS INFORMATION OF BCFC

As at 31 August 2006, 2007 and 2008 and 28 February 2009, BCFC's consolidated indebtedness comprising preference shares, interest bearing loans, overdrafts and borrowings and provisions, amounted to £390,000, £1,112,000, £3,975,000 and £6,666,000 respectively.

Details of BCFC's contingent liabilities are set out below:

(a) Player Transfer Costs

Under the terms of certain contracts with other football clubs in respect of 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 transfers to 31 August 2008 is £2,475,000 (2007: £5,454,000 and 2006: £5,771,000). The Board understands that between 31 August 2008 and 31 August 2009, there have been players transferred from BCFC. Although the exact fees/figures for these transfers are not known by the Directors, the Board is aware of the following transfers to BCFC during such period:

Teemu Tainio (on loan)
Lee Bowyer (free)
Barry Ferguson (undisclosed amount)
Christian Benítez (undisclosed amount)
Scott Dann (undisclosed amount)
Giovanny Espinoza (undisclosed amount)
Joe Hart (on loan)
James O'Shea (undisclosed amount)
Roger Johnson (£5m)

(b) Image Rights Payable

The maximum possible commitments in respect of image rights contracts at 31 August 2008, contingent on whether the players remain contracted with the Club, amounted to £786,000 (2007: £1,429,000 and 2006: £3,280,000). The amounts are payable on future dates specified in their contracts and are not provided for in the accounts.

WORKING CAPITAL OF BCFC

As at 31 August 2006, 2007 and 2008 and 28 February 2009, BCFC's consolidated net current assets/(liabilities) (excluding deferred income), amounted to £2,495,000, £(3,694,000), £(1,090,000) and £(7,303,000) respectively. For the years/period ended 31 August 2006, 2007 and 2008 and 28 February 2009, BCFC's consolidated net operating cash inflow/(outflow), amounted to £3,707,000, £8,167,000, £1,218,000 and £(5,727,000) respectively.

As disclosed in BCFC's interim results for the six months ended 28 February 2009, the BCFC board estimates that additional revenues of around £30 million from the Premier League will be derived from BCFC's promotion to the Premier League for the 2009/2010 season. Furthermore, BCFC has indicated that during the close of the 2008/2009 season, major works were being undertaken on the BCFC's stadium involving the installation of under-soil heating, a new pitch complete with pitch perimeter track, erection of a new electronic scoreboard and information screen, refurbishment of the Main Stand and Superstore and a new tannoy announcement system. Further work on the training ground at Wast Hills is also taking place with an upgrade of the pitches and a new reception area being built.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE LAST 12 MONTHS IMMEDIATELY BEFORE THE LATEST PRACTICABLE DATE

The following table summarizes the capital raising activities of the Group in the last 12 months immediately before the Latest Practicable Date:

Date of announcement	Event	Net proceeds (net of placing commission)	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
8 June 2009	Top-up Placing and Top-up Subscription	HK$58 million	For general working capital of the Group, for expansion of the Group's business and/or possible investments in the future when opportunities arise	Approximately HK$38.4 million has been used as a deposit for the Acquisition. The balance will be used for general working capital of the Group and is currently deposited in bank account of the Company

The Directors consider that the Open Offer is fair and reasonable and in the interests of the Company and the Shareholders as a whole having taken into account the terms of the Open Offer and the fund raising activities conducted by the Company in the last 12 months.

LISTING RULES IMPLICATIONS OF THE OPEN OFFER

As the Open Offer will increase the issued share capital of the Company by more than 50%, pursuant to Rule 7.24(5)(a) of the Listing Rules, the Open Offer had been approved by Independent Shareholders at the EGM. Mr. Yeung and Mr. Hui, executive Directors who have interest in the Shares, together with their respective associates (including Ms. Leung, being an associate of Mr. Hui) (together holding approximately 22.23% or 272,497,000 Shares), had abstained from voting in favour of the resolution to approve the Open Offer at the EGM.

BUSINESS, FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is an investment holding company and the principal activities of its subsidiaries are providing apparel sourcing services, sportswear and apparel trading, and entertainment-related services. Although the Group has, in common with many other businesses, felt the pinch resulting from the global financial turmoil and poor conditions in certain markets, the Directors intend that the Group should continue to identify and explore suitable investment opportunities, as well as pursue organic growth in its existing businesses, in order to enhance shareholder value. The Directors are of the view that entertainment-related services businesses can provide relatively high profit margins as well as allowing the Group to diversify its business. Given the relatively high levels of competition which have been apparent to the Directors through the Group's business activities in the apparel trading sector, the Directors have decided to reduce the Group's future reliance on doing business in that sector. Taken overall, trading of the Group's businesses since 31 March 2009 (being the date to which the last published audited consolidated accounts for the Company were prepared) has been in line with the expectations of the Directors.

Following completion of the Acquisition, BCFC will become a subsidiary of the Group. Upon Completion, whilst the Enlarged Group will continue to carry out its existing business, the Enlarged Group will also be engaged in the activity of a Premier League football club. The Directors believe that the Acquisition will enable the Group to diversify its revenue base as well as its potential sources of profits.

LISTING RULES WAIVER

As the Company is unable to access certain financial information on BCFC because of regulatory, legal and other restrictions (given the Company's non-controlling stake in BCFC and that the Company has no board representation on BCFC), the Company has not been able to provide information on the Enlarged Group herein with respect to the matters required in Appendix 1b(28)-(30) of the Listing Rules in connection with the Open Offer. These relate to the indebtedness, working capital and financial and trading prospects of the Enlarged Group. For reasons stated below under the heading "Directors' Analysis", the Board believes that sufficient and adequate information has been provided in relation to these areas or in lieu thereof. Accordingly, the Company has sought and obtained a waiver from the Stock Exchange from strict compliance with Appendix 1b(28)-(30) of the Listing Rules.

DIRECTORS' ANALYSIS

Notwithstanding that the Board has only limited financial information on BCFC since its latest published interim results for the six months period ended 28 February 2009, the Board believes that adequate material financial information has been provided on BCFC for Shareholders in respect of the Open Offer because:

(i) BCFC is a publicly listed company on AIM and as such has to comply with regulatory disclosure requirements both in terms of financial information and material/price sensitive information;

(ii) the Directors had reviewed all announcements made by BCFC since its latest published interim results and believe that there are no material financial or other information which have been disclosed and which are not included herein;

(iii) the Board has detailed knowledge and understanding of the football business and are not aware of any transactions/information on BCFC which should be disclosed herein and which if disclosed would materially affect the decision of Shareholders in relation to the Open Offer; and

(iv) the 2008/2009 season finished in or about May 2009 and the new 2009/2010 season did not commence until mid August 2009. Accordingly, the Board does not anticipate material transactions for BCFC taking place and which have not been announced, (other than player transfers which have been disclosed in the circular of the Company dated 14 September 2009) during this period.

PROCEDURE FOR ACCEPTANCE AND PAYMENT

For each Qualifying Shareholder, an Application Form is enclosed with this Prospectus which entitles you to subscribe for the number of the Offer Shares shown therein.

If you wish to exercise your right to subscribe for all the Offer Shares provisionally allotted to you as specified in the Application Form, you must lodge the Application Form in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on Wednesday, 14 October 2009. **All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "GRANDTOP INTERNATIONAL HOLDINGS LIMITED — OPEN OFFER" and crossed "ACCOUNT PAYEE ONLY".**

It should be noted that unless the duly completed Application Form, together with the appropriate remittance, has been lodged with the Registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on Wednesday, 14 October 2009, the relevant assured allotment and all rights and entitlement thereunder will be deemed to have been declined and will be cancelled.

The Application Form contains full information regarding the procedures to be followed for acceptance of the whole or part of your provisional allotment.

All cheques and cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies will be retained for the benefit of the Company. Any Application Form in respect of which the accompanying cheque or cashier's order is dishonoured on first presentation is liable to be rejected, and in that event the relevant assured allotment of Offer Shares and all rights thereunder will be deemed to have been declined and will be cancelled.

No action has been taken to permit the offering of the Offer Shares or the distribution of this Prospectus or the Application Form for the Offer Shares in any territory other than Hong Kong. Subject to the paragraph headed "Rights of the Overseas Shareholders" above, no person receiving an Application Form for the Offer Shares in any territory outside Hong Kong may treat it as an offer or invitation to apply for the Offer Shares, unless in the relevant territory such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements. Subject as referred to below, it is the responsibility of anyone outside Hong Kong wishing to make an application for the Offer Shares to satisfy himself/herself/itself/themselves as to the observance of the laws and regulations of the relevant territory or jurisdiction, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connection therewith. No application for Offer Shares will be accepted from any person whose address is outside Hong Kong unless the Company is satisfied (in its absolute discretion) that such acceptance would not involve a breach of any applicable laws or regulatory requirements of any need for compliance with any registration or other legal or regulatory requirements. The Company reserves the right to refuse to accept any application for the Offer Shares where it believes that in doing so would violate the applicable securities or other laws or regulations of the territory of residence of the applicant.

If the Underwriter exercises its right to terminate its obligations under the Underwriting Agreement before the Latest Time for Termination, the Open Offer will not proceed and the monies received in respect of acceptances of the Offer Shares without interest will be returned to the Qualifying Shareholders, by means of cheques crossed "ACCOUNT PAYEE ONLY" to be despatched by ordinary post to their registered addresses and in the case of joint applicants to the registered address of the applicant whose name first appears on the register of members of the Company at their own risk on or before Tuesday, 20 October 2009.

The Application Form is for use only by the person(s) named therein and is not transferable.

No receipt will be issued in respect of any application monies received.

ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in the appendices to this Prospectus.

By Order of the Board
Grandtop International Holdings Limited
Hui Ho Luek, Vico
Executive Director and Chief Executive Officer

A. SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and the assets and liabilities of the Group for the last three financial years, as extracted from the audited financial statements, is set out below. No qualified or modified opinion has been issued on the Group's financial statements for the three years ended 31 March 2009, 2008 and 2007 ("Relevant Years") respectively.

B. AUDITED CONSOLIDATED FINANCIAL INFORMATION

Consolidated Income Statements

		For the year ended 31 March		
		2009	**2008**	**2007**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	*6*	10,660	20,595	42,813
Cost of sales		(6,513)	(17,574)	(36,597)
Gross profit		4,147	3,021	6,216
Other revenue and net gains	*7*	986	404	24
Impairment loss on property, plant and equipment	*16*	—	(1,919)	(909)
Impairment loss on available-for-sale financial assets	*21*	(73,945)	(110,923)	(1,320)
(Impairment loss)/reversal of impairment loss on trade receivables	*23(ii)*	(1,333)	(1,745)	3,076
Loss on disposal on subsidiary	*30*	—	—	(329)
Selling expenses		(2,000)	(790)	(1,924)
Administrative expenses		(19,072)	(29,563)	(15,836)
Share-based payments	*33*	—	(10,200)	—
Finance costs	*8*	(538)	—	(48)
Loss before taxation	*9*	(91,755)	(151,715)	(11,050)
Income tax	*10*	78	(418)	—
Loss for the year attributable to equity holders of the Company	*13*	(91,677)	(152,133)	(11,050)
Dividend	*14*	—	—	—
Loss per share	*15*			
— Basic and diluted (HK cents)		(10.96)	(22.47)	(2.69)

Consolidated Balance Sheets

			At 31 March	
		2009	**2008**	**2007**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	*16*	2,992	2,780	4,594
Prepaid land lease expenses	*17*	—	—	289
Investment property	*18*	1,060	1,250	—
Available-for-sale financial assets	*21*	60,419	134,364	—
		64,471	138,394	4,883
Current assets				
Inventories	*22*	—	—	3,656
Prepaid land lease expenses	*17*	—	289	431
Trade receivables	*23*	—	1,099	5,613
Deposits, prepayments and other receivables	*23*	1,190	544	1,835
Cash and cash equivalents	*24*	2,968	7,055	6,757
		4,158	8,987	18,292
Current liabilities				
Trade payables, accruals and other payables		5,880	5,588	3,066
Taxation payable		20,337	20,415	19,997
Amounts due to directors	*25*	5,378	10,583	—
		31,595	36,586	23,063
Net current liabilities		(27,437)	(27,599)	(4,771)
Total assets less current liabilities		37,034	110,795	112
Non-current liabilities				
Amounts due to directors	*25*	97,982	97,982	—
Deferred tax liabilities	*26*	167	167	167
Convertible notes	*27*	4,108	—	—
		102,257	98,149	167
NET (LIABILITIES)/ASSETS		(65,223)	12,646	(55)
CAPITAL AND RESERVES				
Share capital	*28*	9,852	7,603	3,840
Reserves	*29(a)*	(75,075)	5,043	(3,895)
TOTAL EQUITY		(65,223)	12,646	(55)

Balance Sheets

			At 31 March	
		2009	**2008**	**2007**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	*16*	833	1,007	115
Investments in subsidiaries	*19*	—	5,774	6,274
Available-for-sale financial assets	*21*	60,419	134,364	—
		61,252	141,145	6,389
Current assets				
Deposits, prepayments and other receivables		1,185	544	105
Amounts due from subsidiaries	*20*	—	1,132	—
Cash and cash equivalents	*24*	2,536	6,941	1,206
		3,721	8,617	1,311
Current liabilities				
Accruals and other payables		4,218	5,559	1,945
Amounts due to subsidiaries	*20*	5,691	5,691	5,241
Amounts due to directors	*25*	5,378	10,583	—
		15,287	21,833	7,186
Net current liabilities		(11,566)	(13,216)	(5,875)
Non-current liabilities				
Convertible notes	*27*	4,108	—	—
Amounts due to directors	*25*	97,982	97,982	—
		102,090	97,982	—
NET (LIABILITIES)/ASSETS		(52,404)	29,947	514
CAPITAL AND RESERVES				
Share capital	*28*	9,852	7,603	3,840
Reserves	*29(b)*	(62,256)	22,344	(3,326)
TOTAL EQUITY		(52,404)	29,947	514

Consolidated Statement of Changes in Equity

Group

	Share capital *HK$'000* *(Note 28)*	Contribution surplus *HK$'000* *(Note 29(a))*	Share premium *HK$'000* *(Note 29(a))*	Share option reserve *HK$'000* *(Note 29(a))*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 April 2006	3,200	(85)	25,146	—	(25,010)	3,251
Loss for the year and total recognised expense for the year	—	—	—	—	(11,050)	(11,050)
Placing of shares	640	—	7,104	—	—	7,744
At 31 March 2007	3,840	(85)	32,250	—	(36,060)	(55)
Loss for the year and total recognised expenses for the year	—	—	—	—	(152,133)	(152,133)
Open offer of shares	1,920	—	35,120	—	—	37,040
Placing of shares	1,843	—	115,751	—	—	117,594
Recognition of equity-settled share-based payments	—	—	—	10,200	—	10,200
Lapse of share options	—	—	—	(2,828)	2,828	—
At 31 March 2008	7,603	(85)	183,121	7,372	(185,365)	12,646
Loss for the year and total recognised expenses for the year	—	—	—	—	(91,677)	(91,677)
Issue of shares upon conversion of Convertible Notes *(Note 27)*	2,249	—	11,559	—	—	13,808
Cancellation of share options	—	—	—	(5,875)	5,875	—
At 31 March 2009	9,852	(85)	194,680	1,497	(271,167)	(65,223)

Consolidated Cash Flow Statements

	Note	2009 HK$'000	2008 HK$'000	2007 HK$'000
		For the year ended 31 March		
Cash flow from operating activities				
Loss before taxation		(91,755)	(151,715)	(11,050)
Adjustments for:				
Depreciation of property, plant and equipment		436	1,054	1,226
Release of prepaid land lease expenses		289	431	450
Interest income		(3)	(93)	(24)
Interest expenses		538	—	48
Write-off of property, plant and equipment		—	115	—
Loss on disposal of subsidiary	*30*	—	—	329
Charge for/(write-back of) provision for obsolete inventories		—	927	(2,597)
Impairment loss on available-for-sale financial assets		73,945	110,923	1,320
Impairment loss on property, plant and equipment		—	1,919	907
Impairment loss/(reversal of impairment loss) on trade receivables		1,333	1,745	(3,076)
Fair value loss/(gain) on investment property		190	(213)	—
Fair value gain on convertible notes		(872)	—	—
Share-based payments		—	10,200	—
Operating cash flow before working capital changes		(15,899)	(24,707)	(12,467)
Decrease in inventories		—	2,729	7,892
(Increase)/decrease in trade receivables		(234)	2,769	(211)
(Increase)/decrease in deposits, prepayments and other receivables		(646)	1,291	5,582
Increase/(decrease) in trade payables, accruals and other payables		292	2,522	(279)
Net cash (used in)/generated from operations		(16,487)	(15,396)	517
Profits tax paid		—	—	(453)
Interest expenses		—	—	(48)
Interest received		3	93	24
Net cash (outflow)/inflow from operating activities		(16,484)	(15,303)	40

	Note	2009	2008	2007
		For the year ended 31 March		
		HK$'000	HK$'000	HK$'000
Investing activities				
Payments to acquire property, plant and equipment		(648)	(1,274)	(286)
Proceeds from disposal of subsidiary	*30*	—	—	105
Acquisition of available-for-sale financial assets		—	(245,287)	—
Acquisition of investment property		—	(1,037)	—
Net cash outflow from investing activities		(648)	(247,598)	(181)
Financing activities				
Issue of shares by open offer and placements		—	154,634	7,744
Repayment of mortgage loan		—	—	(46)
Issue of convertible notes, net of transaction cost		18,250	—	—
Advances (to)/from directors		(5,205)	108,565	—
Repayment of advance from a director		—	—	(3,288)
Net cash inflow from financing activities		13,045	263,199	4,410
(Decrease)/increase in cash and cash equivalents		(4,087)	298	4,269
Cash and cash equivalents at beginning of year		7,055	6,757	2,488
Cash and cash equivalents at end of year		2,968	7,055	6,757
Analysis of the balances of cash and cash equivalents				
Cash and cash equivalents		2,968	7,055	6,757

Notes to the Financial Statements

1. ORGANISATION AND OPERATIONS

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and has its registered office at Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and principal place of business at Unit 3008, 30/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The Company engages in investment holding. The principal activities of its principal subsidiaries are set out in Note 19.

These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2. ADOPTION OF NEW AND REVISED STANDARDS

The Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies.

At the date of authorisation of these financial statements, the following HKFRSs were in issue but not yet effective:

		Effective dates
HKAS 1 (Revised)	Presentation of financial statements	(i)
HKAS 23 (Revised)	Borrowing costs	(i)
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	(i)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	(i)
HKFRS 8	Operating segments	(i)
HK(IFRIC) — Int 15	Agreements for the construction of real estates	(i)
HKFRS 2 (Amendments)	Vesting conditions and cancellations	(i)
HKFRS 7 (Amendments)	Improving disclosures about financial instruments	(i)
HKAS 27 (Revised)	Consolidated and separate financial statements	(ii)
HKAS 39 (Amendment)	Eligible hedged items	(ii)
HKFRS 1 (Revised)	First-time adoption of HKFRSs	(ii)
HKFRS 3 (Revised)	Business combinations	(ii)
HK(IFRIC) — Int 17	Distributions of non-cash assets to owners	(ii)
HK(IFRIC) — Int 13	Customer loyalty programmes	(iii)
HK(IFRIC) — Int 16	Hedges of a net investment in a foreign operation	(iv)
HK (IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded derivatives	(v)
HK(IFRIC) — Int 18	Transfers of assets from customers	(vi)

			Effective dates
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	—	HKAS 1, HKAS 16, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 36, HKAS 38, HKAS 39, HKAS 40 & HKAS 41	(i)
	—	HKFRS 5	(ii)
2009 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	—	HKAS 39 (80)	(i)
	—	HKAS 38, HKFRS 2, HK(IFRIC) — Int 9, HK(IFRIC) — Int 16	(ii)
	—	HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 39, HKFRS 5 & HKFRS 8	(vii)

Effective date:

(i) Annual periods beginning on or after 1 January 2009

(ii) Annual periods beginning on or after 1 July 2009

(iii) Annual periods beginning on or after 1 July 2008

(iv) Annual periods beginning on or after 1 October 2008

(v) Annual periods ending on or after 30 June 2009

(vi) Transfers of assets from customers received on or after 1 July 2009

(vii) Annual periods beginning on or after 1 January 2010

The Group is in the process of making an assessment of what the impact of these new or revised standards or interpretations is expected to be in the period of initial application.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(b) Basis of preparation of financial statements

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property, available-for-sale financial assets and derivative component of convertible notes which are carried at fair value.

The financial statements have been prepared on a going concern basis notwithstanding the fact that the Group reported consolidated net current liabilities of HK$27,437,000, HK$27,599,000 and HK$4,771,000 and consolidated net liabilities of HK$65,223,000, net assets of HK$12,646,000 and net liabilities of HK$55,000 as at 31 March 2009, 2008 and 2007 respectively and loss for the Relevant Years then ended of HK$91,677,000, HK$152,133,000 and HK$11,050,000 respectively. This condition may indicate the existence of material uncertainty which may cast significant doubts 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.

Notwithstanding the above, the directors of the Company have considered the following situations and are satisfied that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis:

(i) As disclosed in Note 38(ii), the Company raised working capital with net proceeds of HK$58,000,000 in aggregate by way of placing of its new shares of the Company after the balance sheet date as at 31 March 2009; and

(ii) Included in the non-current liabilities of the Group as at 31 March 2009 is an amount due to a director who is also an ultimate shareholder of the Company with aggregate carrying amount of HK$95,068,000, which is unsecured, interest free and has no fixed repayment term. The director and ultimate shareholder of the Company undertakes not to demand for the Group to repay this amount due until the Company and the Group are financially capable to do so. This interest-free advance is not repayable within twelve months from the balance sheet date and is considered in substance as a quasi-equity loan to finance the Group's long-term investments.

(c) Basis of consolidation

These financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired and disposed of during the Relevant Years are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

(d) Business combinations

Acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised in accordance with the accounting policy for goodwill in Note 3(f) below.

(e) Subsidiaries

Subsidiaries are entities in which the Group has the power to govern the financial and operating policies, so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(f) Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiaries recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other asset of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

(g) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the asset.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Buildings	2.5%, or over the terms of the leasehold land, if shorter
Leasehold improvements	20%, or over the terms of the lease if shorter
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(h) Investment property

Investment property, which was a property held to earn rentals and/or for capital appreciation, was measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property was measured at fair value. Gains or losses arising from changes in fair value of investment property were included in profit or loss for the period in which they arise.

(i) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and investments in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, including an appropriate portion of fixed and variable overhead expenses, is assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale.

(k) Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. These financial assets are subsequently accounted for as follows, depending on their classification:

(i) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(ii) Available-for-sale financial assets

Investments in securities which do not fall into any of the other categories of financial assets are classified as available-for-sale financial assets and are stated at fair value.

Gains and losses arising from changes in fair value are recognised directly in equity in the revaluation reserves with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the revaluation reserves is included in profit or loss for the Relevant Years.

Dividends on available-for-sale financial assets are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date.

(iii) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which has been determined had no impairment loss been recognised.

— For available-for-sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment losses on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

  Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the Relevant Years. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

(v) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(l) Financial liabilities and equity instrument issued by the Group

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(iii) Convertible notes

Convertible notes issued by the Company are regarded as a hybrid instrument. Derivatives embedded in the host debt contract is treated as separated derivatives when their economic risks and characteristics are not closely related to those of the host contract (the liability component) and the host contract is not carried at fair value through profit or loss. The conversion option is classified as equity component only if the option can be converted by exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. In the case that the conversion option is not settled by the exchange of a fixed amount of cash or another financial asset for fixed number of equity instrument, the conversion component is an embedded derivative.

At the date of issue, the conversion option derivative (the "derivative component") and liability component are recognised at its fair value.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and derivative component in proportion to the allocation of the proceeds. Transaction costs relating to the derivative component is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

(iv) Financial liabilities

The Group's financial liabilities are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

(vi) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(n) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

The prepaid land lease expenses are stated at cost less accumulated releases to profit or loss and any impairment loss, which are released to profit or loss on a straight-line basis over the period of the lease term.

(o) Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(p) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(q) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

(ii) Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(r) Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in Hong Kong dollar which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollar using exchange rates prevailing at the balance sheet date. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

(s) Employees' benefits

(i) Short term benefits

Salaries, annual bonuses and paid annual leaves are accrued in the Relevant Years in which the associated services are rendered by employees. Where payment or settlement are deferred and the effect would be material, these amounts are stated at their present value.

(ii) Pension obligations

Contributions to the Mandatory Provident Fund scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to profit or loss when incurred. The Group has no further payment obligations once the contribution has been made.

(t) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

Equity-settled share-based payments transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counterparty renders the service.

(u) Borrowing costs

All borrowing costs are recognised in profit or loss in the Relevant Years in which they are incurred.

(v) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(w) Revenue recognition

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

(i) Revenue from the sale of products is recognised when the Group has delivered products to the customer, the customer has accepted the products and collectibility of the related receivable is reasonably assured.

(ii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest method.

(iii) Rental income from operating lease is recognised in equal instalments over the accounting periods covered by the lease term.

(iv) Revenue for providing services is recognised to be the extent of services rendered and according to the terms of the agreement.

(x) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format and geographical segments are presented as the secondary reporting format.

In respect of geographical segment reporting, revenue is based on the country where the customer is located, and total assets and capital expenditure are where the assets are located.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect of the amounts recognised in the financial statements.

(i) Impairment of available-for-sale financial assets

The Group followed HKAS 39 in determining when an investment was impaired. This determination required significant judgements. In making these judgements, the Group evaluated, among other factors, the duration and extent to which the fair value of an investment mainly based on the quoted price, where the investment is listed, was below its cost.

(ii) Fair value estimation of the derivative component of convertible notes

As explained in Note 27, the directors use their judgement in selecting an appropriate valuation technique for the derivative component of convertible notes not quoted in an active market. Should the estimates including the early exercise behaviour and the relevant parameters of the valuation model be changed, there would be material changes in the amount of the fair value gain recognised in profit or loss in respect of the derivative component of convertible notes.

(iii) Write down of inventories

The Group performed regular review of the carrying amounts of inventories with reference to aged inventories analysis, expected future consumption and management judgement. Based on this review, write down of inventories would be made when the carrying amount of the inventories declined below the estimated net realisable value. However, actual consumption may be different from estimation and profit or loss could be affected by differences in this estimation.

(iv) Impairment of property, plant and equipment

If the circumstances indicate that the carrying values of property, plant and equipment may not be recoverable, the assets may be considered "impaired", and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of assets". Under HKAS 36, these assets are tested for impairment whenever events or changes in circumstances indicate that the recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the higher of the net selling price and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling price and amount of operating costs. However, actual sales volume, selling price and operating costs may be different from assumptions which may require a material adjustment to the carrying amount of the assets affected.

(v) Estimated useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges of its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimates lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. The business segments of the Group are businesses of apparel sourcing, apparel trading, entertainment and investment holding.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments for the Relevant Years.

	Apparel sourcing			Apparel trading			Entertainment			Investment holding			Consolidated		
	2009	**2008**	**2007**	**2009**	**2008**	**2007**	**2009**	**2008**	**2007**	**2009**	**2008**	**2007**	**2009**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue															
Sales to external customers	1,113	809	982	1,225	19,786	41,831	8,322	–	–	–	–	–	10,660	20,595	42,813
Segment results	1,113	809	656	(309)	2,212	5,560	3,343	–	–	–	–	–	4,147	3,021	6,216
Other revenue and net gains	–	–	–	–	–	–	47	–	–	936	236	–	983	236	–
Unallocated other revenue and net gains													3	168	24
													986	404	24
Unallocated expenses													(22,405)	(44,217)	(15,593)
Impairment loss on available-for-sale financial assets										(73,945)	(110,923)	(1,320)	(73,945)	(110,923)	(1,320)
Loss on disposal of subsidiaries													–	–	(329)
Finance costs													(538)	–	(48)
													(74,483)	(110,923)	(1,697)
Loss before taxation													(91,755)	(151,715)	(11,050)
Income tax	–	–	–	–	(418)	–	–	–	–	78	–	–	78	(418)	–
Loss for the year attributable to equity holders of the Company													(91,677)	(152,133)	(11,050)

	Apparel sourcing			Apparel trading			Entertainment			Investment holding			Consolidated		
	2009	**2008**	**2007**	**2009**	**2008**	**2007**	**2009**	**2008**	**2007**	**2009**	**2008**	**2007**	**2009**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets															
Segment assets	—	—	5,525	—	1,099	13,656	—	—	—	66,049	144,220	—	66,049	145,319	19,181
Unallocated assets													2,580	2,062	3,994
Total assets													68,629	147,381	23,175
Liabilities															
Segment liabilities	—	—	269	—	—	20,812	1,420	—	—	111,695	114,215	—	113,115	114,215	21,081
Unallocated liabilities													20,737	20,520	2,149
Total liabilities													133,852	134,735	23,230
Capital expenditure	—	—	—	—	16	260	—	—	—	648	1,258	—	648	1,274	260
Unallocated capital expenditure													—	—	26
Depreciation and amortisation	—	—	365	—	688	676	—	—	—	615	740	—	615	1,428	1,041
Unallocated depreciation and amortisation													110	57	635
													725	1,485	1,676
Impairment loss of property, plant and equipment	—	—	909	—	1,813	—	—	—	—	—	106	—	—	1,919	909
Other non-cash expenses	—	—	—	1,333	1,745	583	—	—	—	73,263	110,710	—	74,596	112,455	583
Unallocated other non-cash expenses													—	10,200	1,320
													74,596	122,655	1,903

(b) Geographical segments

	Segment revenue			Segment capital expenditure		
	2009	**2008**	**2007**	**2009**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	8,322	—	3,291	648	1,274	260
The People's Republic of China (the "PRC")	—	—	19,290	—	—	—
Macau	—	15,103	20,232	—	—	—
United Kingdom ("U.K.")	2,338	5,492	—	—	—	—
	10,660	20,595	42,813	648	1,274	260

	Segment assets		
	2009	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	7,135	10,555	16,272
Macau	1,076	1,363	6,903
U.K.	60,418	135,463	—
	68,629	147,381	23,175

6. TURNOVER

Turnover, which is also revenue, represents the sales value of goods supplied and services provided to customers and is analysed as follows:

	2009	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Service income from entertainment business	8,322	—	—
Apparel sourcing	1,113	809	982
Apparel trading	1,225	19,786	41,831
	10,660	20,595	42,813

7. OTHER REVENUE AND NET GAINS

	2009	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Rental income	64	23	—
Sundry income	237	75	—
Bank interest income	3	93	24
Fair value gain on convertible notes *(Note 27)*	872	—	—
Fair value (loss)/gain on investment property *(Note 18)*	(190)	213	—
	986	404	24

8. FINANCE COSTS

	2009 *HK$'000*	2008 *HK$'000*	2007 *HK$'000*
Imputed interest expense on convertible notes *(Note 27)*	538	—	—
Interest on mortgage loan wholly repayable within five years	—	—	41
Bank charges	—	—	7
	538	—	48

9. LOSS BEFORE TAXATION

	2009 *HK$'000*	2008 *HK$'000*	2007 *HK$'000*
Loss before taxation is arrived at after charging:			
Cost of inventories sold	1,534	16,647	39,194
Cost of services rendered	4,979	—	—
Charge for impairment loss on inventories (including in "cost of sales" in the income statement)	—	927	(2,597)
Depreciation of property, plant and equipment *(Note 16)*	436	1,054	1,226
Write-off of property, plant and equipment *(Note 16)*	—	115	—
Release of prepaid land lease expenses *(Note 17)*	289	431	450
Auditors' remuneration:			
— current year provision	750	600	450
— prior year underprovision	375	—	—
	1,125	600	450
Share-based payments to consultants	—	2,828	—
Minimum lease payments under operating lease in respect of premises	1,281	2,063	1,113
Net foreign exchange losses	—	67	—
Employee benefit expenses (including directors' remuneration *(Note 11)*):			
Salaries and allowances	7,756	11,664	5,329
Pension fund contributions	140	286	248
Share-based payments	—	7,372	—
	7,896	19,322	5,577
and crediting:			
Rental income from investment property (net of direct operating expenses)	(57)	(21)	—

10. INCOME TAX

(a) Taxation (credit)/charge in the consolidated income statement represents:

	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*
Current tax — U.K.			
— Provision for the year	—	418	—
Profits tax — Hong Kong			
— Overprovision for prior year	(78)	—	—
	(78)	418	—

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising from Hong Kong during the Relevant Years. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

(b) The taxation (credit)/charge for the Relevant Years can be reconciled to the accounting loss as follows:

	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*
Loss before taxation	(91,755)	(151,715)	(11,050)
Taxation calculated at respective domestic statutory tax rates	(17,394)	(26,205)	(1,847)
Tax effect of expenses not deductible for taxation purposes	14,984	19,244	705
Tax effect of income not taxable for taxation purposes	(229)	(99)	(549)
Tax effect on unused tax losses not recognised	2,639	7,478	1,691
Overprovision for prior year	(78)	—	—
Taxation (credit)/charge for the year	(78)	418	—

(c) During the year ended 31 March 2006, the Hong Kong Inland Revenue Department ("IRD") issued certain estimated assessments for tax liabilities of Sun Tai Hing Garment Making Company Limited ("Sun Tai Hing"), a wholly owned subsidiary of the Company, for an aggregate amount of approximately HK$19,918,000 on the non-taxable claims of non-Hong Kong sourced income for the years of assessment of 1998/1999, 1999/2000, 2000/2001, 2001/2002, 2002/2003 and 2003/2004 (the "Estimated Assessments"). Sun Tai Hing formally lodged objections with the IRD against the Estimated Assessments and a final settlement has not yet been reached. Full provision on the tax liabilities of the Estimated Assessment was made and included in taxation payable of the Group as at 31 March 2007, and the directors of Sun Tai Hing and the Company considered that the existing provision is adequate.

11. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and section 161 of the Hong Kong Companies Ordinance for the Relevant Years are as follows:

Year ended 31 March 2009

	Fees	Salaries and allowances	Retirement scheme contributions	Share-based payments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Yeung Ka Sing, Carson	—	600	—	—	600
Hui Ho Luek, Vico	—	441	10	—	451
Steven McManaman	—	800	—	—	800
Fan Zhi Yi	—	360	—	—	360
Lee Yiu Tung	—	660	2	—	662
Ip Wing Lun, Allan	—	441	12	—	453
Wong Po Ling, Pauline	—	441	12	—	453
	—	3,743	36	—	3,779
Non-executive directors					
Christian Lali Karembeu	—	800	—	—	800
Chan Wai Keung	—	180	—	—	180
	—	980	—	—	980
Independent non-executive directors					
Chang Kin Man	146	—	—	—	146
Yau Yan Ming, Raymond	146	—	—	—	146
Zhou Han Ping	130	—	—	—	130
Yip Man Ki	97	—	—	—	97
	519	—	—	—	519
	519	4,723	36	—	5,278

Year ended 31 March 2008

	Fees	Salaries and allowances	Retirement scheme contributions	Share-based payments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Yeung Ka Sing, Carson	—	600	—	—	600
Hui Ho Luek, Vico	—	300	10	—	310
Steven McManaman	—	896	—	260	1,156
Fan Zhi Yi	—	146	—	—	146
Lee Yiu Tung	—	340	—	898	1,238
Ip Wing Lun, Allan	—	306	9	898	1,213
Wong Po Ling, Pauline	—	324	10	898	1,232
	—	2,912	29	2,954	5,895
Non-executive directors					
Christian Lali Karembeu	—	781	—	—	781
Chan Wai Keung	—	55	—	—	55
	—	836	—	—	836
Independent non-executive directors					
Chang Kin Man	120	—	—	—	120
Yau Yan Ming, Raymond	70	—	—	—	70
Zhou Han Ping	120	—	—	—	120
Yip Man Ki	103	—	—	—	103
	413	—	—	—	413
	413	3,748	29	2,954	7,144

Year ended 31 March 2007

	Fees	Salaries and allowances	Pension scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Lee Yiu Tung	—	90	—	90
Bessie Siu	—	160	8	168
Mao Yue	—	—	—	—
Tsai Lai Wa, Jenny	—	—	—	—
Edmund Siu	—	—	—	—
	—	250	8	258
Non-executive directors				
Fu Wing Kwok, Ewing	—	—	—	—
Alternative director				
Peter Christopher Tashjian	—	—	—	—
	—	—	—	—
Independent non-executive directors				
Chang Kin Man	—	90	—	90
Ip Wing Lun	—	30	—	30
Zhou Han Ping	—	10	—	10
Fu Wing Kwok, Ewing	—	—	—	—
Lo Wing Yan, Emmy	—	—	—	—
Liang Kwong Lim	—	—	—	—
	—	130	—	130
	—	380	8	388

There were no other emoluments payable to the directors and no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Years.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 March 2009 and 2008 are all directors of the Company whose remuneration is set out in Note 11 above.

During the year ended 31 March 2007, highest paid individuals during the year included director whose remuneration is set out in Note 11 above. Details of the emoluments of the remaining four individuals highest paid employees are as follows:

	2007
	HK$'000
Salaries, other allowances	629
Pension scheme contributions	34
Share-based payments	—
	663

The emoluments of the remaining 4 non-director, highest paid employees in the prior year fell within the HK$Nil to HK$1,000,000 band for the year ended 31 March 2007.

13. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss for the years ended 31 March 2009, 2008 and 2007 attributable to equity holders of the Company included loss of HK$90,385,000, HK$135,401,000 and HK$11,161,000 respectively which has been dealt with in the financial statements of the Company.

14. DIVIDEND

No dividend was paid or proposed for the Relevant Years nor has any dividend been proposed since the balance sheet date.

15. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for each of the Relevant Years attributable to the equity holders of the Company, and the weighted average number of ordinary shares in issue during each of the Relevant Years.

The calculation of diluted loss per share is based on the loss for the year attributable to the equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during each of the Relevant Years, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all potential dilutive ordinary shares into ordinary shares.

The calculations of basic and diluted loss per share are based on:

	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*
Loss:			
Loss attributable to the equity holders of the Company, used in the basic loss per share calculations	(91,677)	(152,133)	(11,050)
Add: Imputed interest on convertible notes* *(Note 27)*	538	—	—
Less: Fair value gain on the derivative component of convertible notes* *(Note 27)*	(872)	—	—
	(92,011)	(152,133)	(11,050)

	Number of shares		
	2009	2008	2007
	'000	*'000*	*'000*
Shares:			
Weighted average number of ordinary shares for basic loss per share calculation	836,164	677,020	410,517
Effect of dilution on weighted average number of ordinary shares in respect of share options*	—	7,177	—
Effect of dilution on weighted average number of ordinary shares in respect of conversion of convertible notes*	43,288	—	—
Weighted average number of ordinary shares adjusted for the effect of dilution	879,452	684,197	410,517

* Diluted loss per share amounts for the Relevant Years are the same as the respective basic loss per share amounts because the basic loss per share amounts for the Relevant Years are reduced when taking respective convertible notes and share options (were applicable) into account, and therefore the conversion of convertible notes and share options have an anti-dilutive effect on the basic loss per share amounts for the Relevant Years.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:						
At 1 April 2006	7,015	6,146	1,673	1,047	753	16,634
Additions	—	162	83	41	—	286
Disposals	—	—	—	—	(753)	(753)
Disposal of subsidiaries *(Note 30)*	(4,915)	(1,277)	(299)	—	—	(6,491)
At 31 March 2007	2,100	5,031	1,457	1,088	—	9,676
Additions	—	804	77	393	—	1,274
Write off	—	—	(157)	(153)	—	(310)
At 31 March 2008	2,100	5,835	1,377	1,328	—	10,640
Additions	—	56	1	39	552	648
At 31 March 2009	2,100	5,891	1,378	1,367	552	11,288
Accumulated depreciation and impairment:						
At 1 April 2006	578	1,499	908	793	753	4,531
Charge for the year	75	899	178	74	—	1,226
Impairment recognised for the year	—	909	—	—	—	909
Disposals	—	—	—	—	(753)	(753)
Disposal of subsidiaries *(Note 30)*	(382)	(362)	(87)	—	—	(831)
At 31 March 2007	271	2,945	999	867	—	5,082
Charge for the year	56	744	131	123	—	1,054
Impairment recognised for the year	—	1,503	300	116	—	1,919
Write off	—	—	(114)	(81)	—	(195)
At 31 March 2008	327	5,192	1,316	1,025	—	7,860
Charge for the year	56	172	15	83	110	436
At 31 March 2009	383	5,364	1,331	1,108	110	8,296
Net carrying value:						
At 31 March 2009	1,717	527	47	259	442	2,992
At 31 March 2008	1,773	643	61	303	—	2,780
At 31 March 2007	1,829	2,086	458	221	—	4,594

During the years ended 31 March 2008 and 2007, certain items of property, plant and equipment were under-utilised. As a result, the Group assessed the recoverable amounts of these items. Based on such assessment, the carrying value of these items of property, plant and equipment was written down by approximately HK$1,919,000 and HK$909,000 respectively during that year ended 31 March 2008 and 2007. The recoverable amount of the relevant assets has been determined on the basis of their value in use with reference to the probable cash flows from these items of property, plant and equipment. No such write-off was necessary during the year ended 31 March 2009.

The Group's buildings with a carrying amount of approximately HK$1,717,000 and HK$1,773,000 as at 31 March 2009 and 2008 respectively was charged by the plaintiff in respect of a litigation, details of which are disclosed in Note 32(ii). The Group's buildings are located in Hong Kong and held under a long term lease.

The Company

	Leasehold improvements	**Furniture and fixtures**	**Office equipments**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost:				
At 1 April 2006	—	157	127	284
Additions	—	—	26	26
At 31 March 2007	—	157	153	310
Additions	804	76	378	1,258
Write off	—	(157)	(153)	(310)
At 31 March 2008	804	76	378	1,258
Additions	56	1	39	96
At 31 March 2009	860	77	417	1,354
Accumulated depreciation:				
At 1 April 2006	—	83	56	139
Charge for the year	—	31	25	56
At 31 March 2007	—	114	81	195
Charge for the year	161	15	75	251
Write off	—	(114)	(81)	(195)
At 31 March 2008	161	15	75	251
Charge for the year	172	15	83	270
At 31 March 2009	333	30	158	521
Net carrying value:				
At 31 March 2009	527	47	259	833
At 31 March 2008	643	61	303	1,007
At 31 March 2007	—	43	72	115

17. PREPAID LAND LEASE EXPENSES

	The Group		
	2009	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Cost:			
At beginning	2,350	2,350	7,115
Disposal of subsidiaries	—	—	(4,765)
At end of year	2,350	2,350	2,350
Accumulated balance released to profit or loss:			
At beginning of year	2,061	1,630	1,358
Release for the year *(Note 9)*	289	431	450
Disposal of subsidiaries	—	—	(178)
At end of year	2,350	2,061	1,630
Carrying amount			
At 31 March	—	289	720
Non-current portion	—	—	289
Current portion	—	289	431
	—	289	720

The Group's prepaid land lease expenses are attributable to land located in Hong Kong and held under a long term lease.

As at 31 March 2008 and 2009, the Group's prepaid land lease expenses were charged by the plaintiff in respect of a litigation, details of which are disclosed in Note 32(ii).

18. INVESTMENT PROPERTY

	The Group		
	2009	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Fair value:			
At beginning of year	1,250	—	—
Additions	—	1,037	—
Fair value adjustment *(Note 7)*	(190)	213	—
At end of year	1,060	1,250	—

The Group's investment property was revalued as at 31 March 2008 at its open market value by reference to recent market transactions in comparable properties on an open market value basis calculated by reference to net rental income allowing for reversionary income potential. The valuation was carried out by an independent firm of professional surveyors, Asset Appraisal Limited.

Subsequent to 31 March 2009, the Group entered into a sale and purchase agreement with an independent third party to dispose of the investment properties at a total consideration of HK$1,060,000, which was considered by the directors of the Company to be the amount that approximated the fair value of the investment property of the Group as at 31 March 2009.

During the year ended 31 March 2009, the property rental income earned by the Group from its investment property which is leased out under an operating lease, amounted to HK$64,000 (2008: HK$23,000). Direct operating expenses arising on the investment property in the year amounted to HK$6,600 (2008: HK$2,000).

The Group's investment property is located in Hong Kong and held under a medium term lease.

19. INVESTMENTS IN SUBSIDIARIES

	The Company		
	2009	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted shares, at cost	22,316	22,316	22,316
Less: Impairment losses	(22,316)	(16,542)	(16,042)
	—	5,774	6,274

Particulars of the Company's principal subsidiaries as at 31 March 2009 are as follows:

			Proportion of ownership interest			
Name of company	**Country of incorporation and operation**	**Particulars of issued and paid-up capital**	**Group's effective interest**	**Held by the Company**	**Held by the subsidiaries**	**Principal activity**
Dollar Concept International Ltd.	BVI	US$1 Ordinary	100%	100%	—	Apparel sourcing and trading (overseas based)
Fanlink Far East Ltd.	BVI	US$1 Ordinary	100%	100%	—	Investment holding
Sun Ace Group Ltd.	BVI	US$1 Ordinary	100%	100%	—	Investment holding
Leader Ahead Investments Ltd.	BVI	US$1 Ordinary	100%	100%	—	Provision of entertainment services
East Step Trading Ltd.	Hong Kong	HK$1 Ordinary	100%	—	100%	Apparel trading (Hong Kong based)
Gala Consultants Group Limited	BVI	US$1 Ordinary	100%	—	100%	Apparel sourcing and trading (overseas based)
Sun Tai Hing Garment Making Company Limited	Hong Kong	HK$115,000 Ordinary	100%	—	100%	Investment holding

An impairment loss on investment costs of approximately HK$22,316,000 (2008: HK$16,542,000, 2007: HK$16,042,000) was recognised as at 31 March 2009 because the related recoverable amounts of the investment costs with reference to the net assets values of the respective subsidiaries were estimated to be less than their carrying amounts. Accordingly, the carrying amounts of the related investment costs are reduced to their recoverable amounts.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

20. AMOUNTS DUE FROM/TO SUBSIDIARIES

Amounts due from/to subsidiaries are unsecured, interest free and repayable on demand.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group and Company		
	2009	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
(a) Equity securities listed in U.K. ***(Note (i))***			
At cost of acquisition	245,287	245,287	—
Less: Impairment losses	(184,868)	(110,923)	—
At fair value	60,419	134,364	—
(b) Equity securities listed in Hong Kong ***(Note (ii))***			
At cost	—	—	1,320
Less: Impairment losses	—	—	(1,320)
At fair value	—	—	—

(i) The Company acquired 24,375,975 ordinary shares of 10 pence each or approximately 29.9% of the issued capital of Birmingham City Plc. ("BCP") at a cash consideration of £14,950,029 (equivalent to approximately HK$237,225,000 at the acquisition date) from independent vendors during the year ended 31 March 2008. BCP was incorporated in the U.K. with limited liability and its shares are listed on the Alternative Investment Market of the London Stock Exchange (the "AIM"). BCP's principal place of business is in the U.K. and is principally engaged in investment holding. BCP has one subsidiary, Birmingham City Football Club Plc. registered in the U.K. and it is principally engaged in operation of a football league club in the U.K. As the Company failed to appoint any representative to the board of directors of BCP and had no power to exercise any significant influence or joint control over the financial and operating policy decisions of BCP after the acquisition of equity interest in BCP, the directors of the Company consider that the Company's investment in BCP is not an investment in an associate but should be designated as available-for-sale equity securities. Taking into account the transaction costs of HK$8,062,000 that are directly attributable to the Company's acquisition of the equity interest in BCP, the initial cost of the Company's investment in BCP as at the acquisition date amounted to approximately HK$245,287,000.

For the purpose of assessing the impairment of the Company's investment in BCP, market price of BCP's shares listed on the AIM is taken into account. The directors of the Company considered that there is a significant decline in the fair value of the securities, i.e. BCP's market share price quoted on the AIM below its cost, which is an evidence of impairment. Therefore, an impairment loss on available-for-sale financial assets of HK$73,945,000 (2008: HK$110,923,000) was directly recognised in profit or loss for the year ended 31 March 2009 based on the BCP's market share price quoted on the AIM at the spot transaction rate as at 31 March 2009. Such impairment losses recognised in profit or loss are not reversed through profit or loss, any subsequent increase in the fair value of such available-for-sale financial assets is recognised directly in equity. The market value of each as at the date of approval of these financial statements was approximately 30.55 pence (2008: 23.15 pence) based on the market share price of BCP quoted on the AIM.

(ii) There was a significant decline in the fair value of the security below its cost of the equity securities listed in Hong Kong as at 31 March 2007 and accordingly an impairment was recognised as at 31 March 2007.

22. INVENTORIES

		The Group	
	2009	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Finished goods	—	4,251	6,980
Less: Provision for on obsolete inventories	—	(4,251)	(3,324)
	—	—	3,656

The Group carried out regular reviews on the carrying amounts of inventories with reference to aged inventories analysis, expected future consumption and management judgement. During the years ended 31 March 2008 and 2007, the carrying value of certain inventories were determined to decline below its estimated net realisable value and was written down by approximately HK$4,251,000 and HK$3,324,000 respectively.

23. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

		The Group	
	2009	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	4,687	4,453	7,222
Less: Allowance for doubtful debts	(4,687)	(3,354)	(1,609)
	—	1,099	5,613
Deposits, prepayments and other receivables	1,190	544	1,835
	1,190	1,643	7,448

(i) The average credit period to the Group's trade receivables is 60 days (2008: 60 days, 2007: 60 days).

(ii) The movements in the allowance for doubtful debts during the Relevant Years, including both specific and collective loss components, are as follows:

	The Group		
	2009	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
At beginning of year	3,354	1,609	4,685
Impairment loss on trade receivables	1,333	1,745	(3,076)
At end of year	4,687	3,354	1,609

At 31 March 2009, the Group's trade receivables of approximately HK$4,687,000 (2008: HK$3,354,000 and 2007: HK$1,609,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that none of the related receivables is expected to be recovered. Consequently, full allowance for doubtful debts of HK$4,687,000 (2008: HK$3,354,000 and 2007: HK$1,609,000) was recognised. The Group does not hold any collateral over these balances.

(iii) The ageing analysis of gross trade receivables, based on invoice date, is as follows:

	The Group		
	2009	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	—	335	4,291
31 to 60 days	—	1,730	1,636
Over 60 days	4,687	2,388	1,295
	4,687	4,453	7,222

24. CASH AND CASH EQUIVALENTS

For the purpose of the balance sheets and consolidated cash flow statement, cash and cash equivalents include cash and bank balances.

Most of the Company's and the Group's cash and cash equivalents are denominated in Hong Kong dollar.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate their fair values.

25. AMOUNTS DUE TO DIRECTORS — THE GROUP AND COMPANY

The amounts due to directors, included in current liabilities, are unsecured, interest free and repayable on demand.

The amounts due to directors who are ultimate shareholders of the Company, included in non-current liabilities, are unsecured and interest-free advances, out of which (i) an amount of HK$95,068,000 has no fixed repayment term, and the director and ultimate shareholder of the Company has undertaken not to demand for the Group to repay this amount due until the Company and the Group are financially capable to do so. This interest-free advance is not repayable within twelve months from the balance sheet date as at 31 March 2009 and is considered in substance as a quasi-equity loan to finance the Group's long-term investments; and (ii) an amount of HK$2,914,000 due to another director and ultimate shareholder of the Company is not repayable within twelve months after the balance sheet date as at 31 March 2009.

26. DEFERRED TAX LIABILITIES

The movements for the Relevant Years in the deferred tax liabilities are as follows:

	The Group		
	2009	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
At beginning and end of year	167	167	167

The deferred tax liabilities mainly represent accelerated depreciation allowances.

At 31 March 2009, the Group has unused tax losses of approximately HK$65,359,000 (2008: HK$49,532,000, 2007: HK$6,800,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Such losses may be carried forward indefinitely.

There was no other material unprovided deferred tax in respect of the Relevant Years and as at the balance sheet date.

27. CONVERTIBLE NOTES

The Group and the Company

On 7 May 2008, the Company entered into a subscription agreement with Pacific Capital Investment Management Limited ("Pacific Capital") pursuant to which Pacific Capital has agreed to subscribe for the convertible notes (the "Convertible Notes") for an aggregate principal amount of up to HK$200,000,000 to be issued by the Company.

The Convertible Notes are convertible into conversion shares at the option of the noteholders at any time during the conversion period into conversion shares at the conversion price. The price at which conversion shares will be issued shall be either:

(i) 125% of the average of the closing day price of the Company for the 30 business days immediately prior to:

— in respect of tranche 1 of the Convertible Notes, the date of the subscription agreement; and

— in respect of the subsequent tranches of the Convertible Notes, the respective closing dates (the "Fixed Conversion Price"), subject to adjustment in accordance with the terms and conditions; or

(ii) 90% of the average of the closing day price on any 5 consecutive business days (as selected by the relevant noteholder) during the 30 business days immediately preceding the relevant conversion date as selected at the discretion of the relevant noteholder at the time of exercising the conversion right in respect of the relevant tranche of the Convertible Notes provided always that the conversion price shall not in any event be less than HK$0.05 per conversion share (the "Floating Conversion Price").

The Company may redeem those Convertible Notes presented by the noteholder for conversion redemption amount if on presentation of such convertible notes, the Fixed Conversion Price or the Floating Conversion Price (as the case may be) is less than or equal to 70% of the closing day price for the 30 consecutive business days prior to the relevant closing date in respect such Convertible Note.

The maturity date of the Convertible Notes was 36 months from the date of issue. The Convertible Notes will not bear any interest. Unless previously redeemed, purchased, converted or cancelled in the circumstances set out in the terms and conditions, the Company will redeem the outstanding convertible notes on the maturity date at 100% of the principal amount thereof.

On 4 June 2008, the Company and Pacific Capital entered into a supplementary agreement to supplement the subscription agreement including, among other things, the addition of a conversion restriction in the terms and conditions so that no conversion of the Convertible Notes can be made at any time when the Company cannot maintain 25% public float as a result of such conversion.

On 28 July 2008 and 7 August 2008, the Convertible Notes with aggregate principal amounts of HK$20,000,000 were issued.

Based on the determination of the conversion price with reference to the Fixed Conversion Price and the Floating Conversion Price as mentioned above, the exercise of conversion option would not result in settlement by the exchange of a fixed amount of cash for a fixed number of shares of the Company. The embedded derivative of conversion option is therefore accounted for as a financial liability. The proceeds from the issue of the Convertible Notes of HK$20,000,000 have been split into liability and derivative components. On issue of the Convertible Notes, the fair value of the derivative component is determined using an option pricing model and this amount is carried as a derivative component of the liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The derivative component is measured at fair value on the issue date and any subsequent changes in fair value of the derivative component as at the balance sheet date are recognised in the consolidated income statement.

The movements of the liability component and derivative component of the issued Convertible Notes are as follows:

	Liability component of Convertible Notes	**Derivative component of Convertible Notes**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At the issuance date	14,056	5,944	20,000
Direct transaction costs	(1,750)	—	(1,750)
Conversion into ordinary shares	(9,045)	(4,763)	(13,808)
Imputed interest *(Note 8)*	538	—	538
Fair value gain *(Note 7)*	—	(872)	(872)
At 31 March 2009	3,799	309	4,108

Interest on the Convertible Notes is calculated using the effective interest method by applying the effective interest rate of 9.1968% per annum.

The fair value of the derivative component of the Convertible Notes is determined taking into account the valuation performed by Asset Appraisal Ltd., an independent firm of professionally qualified valuers, using the Monte Carlo Simulation Model with the major inputs as at issue dates and 31 March 2009 as follows:

	Issue dates	**31 March 2009**
Share price	HK$0.14 to HK$0.28	HK$0.068
Exercise price	HK$0.311 to HK$0.355	HK$0.311
Volatility	119.4% to 127.38%	144.73%
Risk free rate	2.712% to 2.926%	0.907%

During the years ended 31 March 2009, there was a decrease in the share price of the Company, and accordingly, the fair value of the derivative component of the Convertible Notes decreased, resulting in a fair value gain of HK$872,000.

On 30 April 2009, all the Convertible Notes outstanding as at 31 March 2009 were fully converted into shares of the Company. As detailed in the Company's announcement dated 7 June 2009, the Company and Pacific Capital terminated the subscription agreement and the supplementary agreement of Convertible Notes.

28. SHARE CAPITAL

	2009		2008		2007	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
		HK$'000		*HK$'000*		*HK$'000*
Authorised:						
Ordinary shares of HK$0.01 each	10,000,000,000	100,000	10,000,000,000	100,000	10,000,000,000	100,000
Issued and fully paid:						
At beginning of year	760,320,000	7,603	384,000,000	3,840	320,000,000	3,200
Issue of shares by way of:						
Open offer *(i)*	—	—	192,000,000	1,920	—	—
Placements *(ii)*	—	—	184,320,000	1,843	64,000,000	640
Issue of shares upon conversion of Convertible Notes *(iii)*	224,831,000	2,249	—	—	—	—
At end of year	985,151,000	9,852	760,320,000	7,603	384,000,000	3,840

Notes:

(i) During the year ended 31 March 2008, the Company raised approximately HK$37,040,000, after expenses, by issuing 192,000,000 offer shares at a subscription price of HK$0.20 per offer share by way of open offer, on the basis of one offer share per every two shares held, to provide additional working capital of the Group. The open offer was approved at the special general meeting of the Company held on 23 April 2007 and was completed on 7 June 2007, resulting in additional amount of HK$1,920,000 and HK$35,120,000 standing in the share capital and share premium account respectively. All shares issued by the Company rank pari passu with the then existing shares in all respects. Further details are set out in the Company's prospectus dated 18 May 2007.

On 6 February 2007, the Company entered into a subscription agreement, pursuant to which the Company conditionally agreed to issue an aggregate of 64,000,000 ordinary shares at a price of HK$0.121 each. The placing of shares has been completed on 5 March 2007.

(ii) From 11 July 2007 to 13 November 2007, the Company raised approximately HK$117,594,000, after expenses, by issuing 184,320,000 shares by placements at subscription prices ranging from HK$0.57 to HK$0.80 each to provide additional working capital of the Group, resulting in additional amount of approximately HK$1,843,000 and HK$115,751,000 standing in the share capital and share premium account respectively.

(iii) During the year ended 31 March 2009, the Convertible Notes in the carrying amount of HK$13,808,000 were converted into 224,831,000 shares of HK$0.01 each of the Company, resulting in additional amount of approximately HK$2,249,000 and HK$11,559,000 standing in the share capital and share premium account respectively.

All the above shares issued by the Company rank pari passu with the then existing shares in all respects.

29. RESERVES

The nature and purpose of each reserve are set out below:

(a) Reserves of the Group

(i) Contributed surplus

The contributed surplus represents the difference between the nominal value of share capital of the subsidiaries acquired pursuant to the group reorganisation on 22 October 2002, over the nominal value of the shares of the Company issued in exchange therefor.

Under the Companies Law (2001 Second Revision) of the Cayman Islands, the contributed surplus account is distributable to the shareholders of the Company under certain circumstances.

(ii) Share premium

The application of the share premium account is governed by applicable regulations of the Cayman Islands.

(iii) Share option reserve

The share option reserve represents the fair value at respective grant dates in respect of the outstanding share options of the Company.

(b) Reserves of the Company

	Contribution surplus	Share premium	The Company Share option reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note)	*(Note29(a))*	*(Note 29(a))*		
At 1 April 2006	22,116	25,146	—	(46,531)	731
Share premium arising on placement of shares	—	7,104	—	—	7,104
Loss for the year *(Note 13)*	—	—	—	(11,161)	(11,161)
At 1 April 2007	22,116	32,250	—	(57,692)	(3,326)
Share premium arising on open offer of shares	—	35,120	—	—	35,120
Share premium arising on placement of shares	—	115,751	—	—	115,751
Recognition of equity-settled share-based payments	—	—	10,200	—	10,200
Lapse of share options	—	—	(2,828)	2,828	—
Loss for the year	—	—	—	(135,401)	(135,401)
At 31 March 2008	22,116	183,121	7,372	(190,265)	22,344
Issue of shares upon conversion of Convertible Notes *(Note 27)*	—	11,559	—	—	11,559
Cancellation of share options	—	—	(5,875)	5,875	—
Loss for the year	—	—	—	(96,159)	(96,159)
At 31 March 2009	22,116	194,680	1,497	(280,549)	(62,256)

Note:

Contributed surplus of the Company

The contributed surplus represents the excess of the fair value of the subsidiaries acquired pursuant to the group reorganisation over the nominal value of the shares of the Company issued in exchange therefor.

Under the Companies Law (2001 Second Revision) of the Cayman Islands, the contributed surplus account is distributable to the shareholders of the Company under certain circumstances.

30. DISPOSAL OF SUBSIDIARIES

On 2 June 2006, the Group disposed of its subsidiaries, namely Elite Team Limited, Easy Billion Limited and Fairgood Limited

The net assets of those disposed subsidiaries at the date of disposal were as follows:

	2007
	HK$'000
Net assets disposed of:	
Property, plant and equipment *(Note 16)*	5,660
Prepaid land lease expenses *(Note 17)*	4,587
Available-for-sales financial assets	1,376
Deposits, prepayments and other receivables	154
Bank and cash balances	15
Interest-bearing bank borrowings	(5,950)
Trade and other payables	(5,393)
	449
Loss on disposal of subsidiaries	(329)
Total cash consideration	120
Net cash inflow arising on disposal:	
Total cash consideration	120
Bank balances and cash acquired	(15)
	105

The subsidiaries disposed of during year ended 31 March 2007 did not contribute significantly to the Group's cash flows nor results.

31. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group did not have any outstanding commitment under non-cancellable operating leases as at 31 March 2009, 2008 and 2007.

The Group as lessor

At the balance sheet date, the Group's total future minimum lease receivables under non-cancellable operating leases are receivable as follows:

	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*
Within one year	37	68	—
After one year but within five years	—	46	—
	37	114	—

The Company did not have any operating lease arrangement under non-cancellable operating lease as at 31 March 2009 and 2008.

32. CONTINGENT LIABILITIES

The Group and Company had the following outstanding litigations at the balance sheet date as at 31 March 2009:

(i) A writ was filed against the Group entities in respect of a claim for reimbursement of expenses paid on behalf of the Group amounting to approximately HK$3,000,000 on 26 July 2006. The Company was not aware of such alleged payments and had instructed lawyers to deal with the matter. Based on the written legal opinion from the legal counsel, the board of directors is of the opinion that the claim is not justifiable and without merit.

(ii) A writ was filed by Siu Ban & Sons Limited ("Siu Ban") against Sun Tai Hing, a subsidiary of the Company, on 11 September 2007 in respect of a claim for the return of the property of Sun Tai Hing located in Hong Kong (the "Property") and damages for costs and loss of interest. Siu Ban claimed that Sun Tai Hing did not pay the purchase consideration for the acquisition of the Property in May 2002. The Property was also charged by the plaintiff for this claim, details of which are set out in Notes 16 and 17. The board of directors is of the opinion that the claim is not justifiable and without merit.

33. SHARE-BASED PAYMENTS

The Company's existing share option scheme (the "Scheme") became effective on 22 October 2002. The major terms of the Scheme, in conjunction with the requirements of Chapter 17 of the Listing Rules, are set out as follows:

(i) The purpose of the Scheme is providing incentives rewards to full-time employees and consultants of the Group in recognition of their contribution to the Group.

(ii) Subject to the terms of the Scheme, the directors may, at their absolute discretion, invite full-time employees of the Group including executive directors of the Company or any of its subsidiaries and consultants (the "Eligible Persons") to take up options to subscribe for shares.

(iii) The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme of the Company must not exceed 30% of the total issued share capital of the Company from time to time.

(iv) The total number of shares issued and to be issued on the exercise of options granted and to be granted (including both exercised and outstanding options) in any 12-month period up to the date of grant to each of the Eligible Persons shall not exceed 1% of the total issued share capital of the Company in issue unless (i) a shareholders' circular is dispatched to the shareholders; (ii) the shareholders approve the grant of the options in excess of the limit referred to herein; and (iii) the relevant Eligible Persons and their associates abstain from voting on the resolution.

(v) An offer of the grant of an option shall be made to the Eligible Persons by letter in such form as the board of directors may from time to time determine and shall remain open for acceptance by the Eligible Persons concerned for a period of 28 days from the date upon which it is made, provided that no such offer shall be open for acceptance after the 10th anniversary of the adoption date or after the Scheme has been terminated.

(vi) A non-refundable nominal consideration of HK$1 is payable by the grantee upon acceptance of an option. An option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the option duly signed by the Eligible Persons together with the said consideration of HK$1 is received by the Company.

(vii) The exercise price for shares under the Scheme may be determined by the directors at its absolute discretion but in any event will not be less than the highest of:

(a) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day;

(b) the average closing price of the shares as stated in daily quotations sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and

(c) nominal value of shares.

Unless otherwise in the terms of the Scheme, an option may be exercised any time during the period commencing on the expiry of six calendar months after the date on which the option is deemed to be granted and accepted and expiring on a date to be determined and notified by the board of directors to each grantee, but in any event not later than 10 years from the date of grant of option but subject to the early termination of the Scheme.

The fair value of the share options granted during the year ended 31 March 2009 and the share-based payments recognised in income statement was HK$Nil (2008: HK$10,200,000, 2007: HK$Nil). No share option was granted during the current year.

(a) The following table shows the movements in the Company's share options during the year ended 31 March 2009 and 2008:

2009

	Date of grant	Outstanding at the beginning of year	Cancelled during the year	Outstanding at the end of year	Closing price immediately before the date of grant
					HK$
Directors:					
Ip Wing Lun	21/8/2007	6,912,000	(6,912,000)	—	1.09
Lee Yiu Tung	21/8/2007	6,912,000	(6,912,000)	—	1.09
Steven McManaman	21/8/2007	2,000,000	—	2,000,000	1.09
Wong Po Ling, Pauline	21/8/2007	6,912,000	(6,912,000)	—	1.09
		22,736,000	(20,736,000)	2,000,000	
Other employees	7/6/2007	24,000,000	—	24,000,000	0.49
	21/8/2007	24,384,000	(24,384,000)	—	1.09
		48,384,000	(24,384,000)	24,000,000	
		71,120,000	(45,120,000)	26,000,000	

2008

	Date of grant	Granted during the year	Lapsed during the year	Outstanding at the end of year	Closing price immediately before the date of grant
					HK$
Directors:					
Ip Wing Lun	21/8/2007	6,912,000	—	6,912,000	1.09
Lee Yiu Tung	21/8/2007	6,912,000	—	6,912,000	1.09
Steven McManaman	21/8/2007	2,000,000	—	2,000,000	1.09
Wong Po Ling, Pauline	21/8/2007	6,912,000	—	6,912,000	1.09
		22,736,000	—	22,736,000	
Other employees	7/6/2007	24,000,000	—	24,000,000	
	21/8/2007	24,384,000	—	24,384,000	0.49
		48,384,000	—	48,384,000	1.09
Consultants					
	21/8/2007	22,000,000	(22,000,000)	—	1.09
		93,120,000	(22,000,000)	71,120,000	

(b) The weighted average exercise price of the share options outstanding during the year ended 31 March 2009 is HK$0.5482 (2008: HK$0.9646, 2007: HK$Nil). The options outstanding at the end of the year have a weighted average remaining contractual life of 8.2 years (2008: 9.34 years, 2007: Nil).

At the balance sheet date as at 31 March 2009 and the date of approval of these financial statements, the Company had 26,000,000 (2008: 71,120,000, 2007: Nil) share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 26,000,000 (2008: 71,120,000 and 2007: Nil) additional ordinary shares of the Company which represented 2.6% and 2.3% of the Company's shares in issue and as at the balance sheet date as at 31 March 2009 and the date of approval of these financial statements respectively, and result in additional share capital of approximately HK$260,000 and share premium of HK$13,993,000 (before issue expenses).

34. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties during the Relevant Years are disclosed below.

(a) No commission (2008: HK$784,000 and 2007: HK$Nil) was charged by a shareholder of the Company as underwriting commission in connection with an open offer of the Company during the year ended 31 March 2009.

(b) Details of the amounts due to directors are set out in Note 25.

(c) Included in the Company's and the Group's accruals and other payables as at 31 March 2009 was an aggregate salaries and other allowances amount of approximately HK$2,840,000 (2008: HK$2,375,000 and 2007: HK$235,000) due to directors which is unsecured, interest free and repayable on demand.

(d) Members of key management during the Relevant Years comprised only of the directors whose remuneration is set out in Note 11.

(e) During the year ended 31 March 2007, the amount due to a director was secured by a corporate guarantee provided by the Company. The corporate guarantee had been released following the full settlement of the balance due during the year.

35. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts, which includes the amounts due to directors under current liabilities disclosed in Note 25 and outstanding Convertible Notes in Note 27, cash and cash equivalents in Note 24 and equity attributable to equity holders of the Company, comprising share capital and reserves as disclosed in the consolidated statement of changes in equity.

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 20 — 40% determined as the proportion of net debt to equity. Based on the management's recommendations, the Group expects to increase its gearing ratio closer to 30% through the issue of new debts.

The gearing ratios at the year end was as follows:

	2009	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Debts	9,486	10,583	—
Cash and cash equivalents	(2,968)	(7,055)	(6,757)
Net debt	6,518	3,528	(6,757)
Equity	(65,223)	12,646	(55)
Net debt to equity ratio	N/A	28%	N/A

36. FINANCIAL RISK MANAGEMENT

During the Relevant Years, exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entity.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group has no significant concentration of credit risk.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 23 to the financial statements.

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

The Group	**Carrying amount**	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009					
Accruals and other payables	5,880	5,880	5,880	—	—
Amounts due to directors	103,360	103,360	5,378	97,982	—
Convertible Notes	4,108	4,124	—	—	4,124
	113,348	113,364	11,258	97,982	4,124
2008					
Accruals and other payables	5,588	5,588	5,588	—	—
Amounts due to directors	108,565	108,565	10,583	97,982	—
	114,153	114,153	16,171	97,982	—
2007					
Accruals and other payables	3,066	3,066	3,066	—	—

(c) Interest rate risk

Convertible Notes were issued at a fixed rate (i.e. zero coupon interest) which expose the Group and Company to fair value interest-rate risk. The Group has no significant interest bearing financial liabilities and operating cash flows are substantially independent of changes in market interest rate.

(d) Currency risk

The Group is exposed to currency risk primarily through its investment in quoted equity securities in BCP with a carrying value of approximately HK$60,419,000 (2008: HK$134,364,000 and 2007: HK$Nil) as at 31 March 2009 that are denominated in Pound Sterling ("£"), which was acquired during the prior year.

Sensitivity analysis

At 31 March 2009, it is estimated that a general appreciation/depreciation of 5% (2008: 1% and 2007: Nil) in exchange rate of HK$ to £, with all other variables held constant, would increase/decrease the Group's consolidated loss and decrease/increase its consolidated equity by approximately HK$3,021,000 (2008: HK$1,344,000 and 2007: HK$Nil).

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the group entities; exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular equity price, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. Results of the analysis as presented above represent an aggregation of the effects on each of the group entities' equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for the Relevant Years, where applicable.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity instruments classified as available-for-sale financial assets. These investments are listed.

The Group's listed investments are listed on the AIM. Decisions to buy and sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the indexes and other industry indicators, as well as the Group's liquidity needs. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

Sensitivity analysis

At 31 March 2009, it is estimated that a general increase/decrease of 5% in the quoted market price of the equity investments, with all other variables held constant, would decrease/increase the Group's consolidated loss and increase/decrease its consolidated equity by approximately HK$3,021,000 (2008: HK$6,718,000 and 2007: HK$Nil).

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the balance sheet date and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair value of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the next annual balance sheet date. The analysis is performed on the same basis for the Relevant Years.

(f) Fair values and estimation basis

All financial instruments are carried at amounts not materially different from their values as at 31 March 2009, 2008 and 2007. In respect of equity securities, fair value is based on quoted market price at the balance sheet date without any deduction for transaction costs. The estimate of fair value of the conversion option embedded in Convertible Notes is measured using an option pricing model.

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2009, 2008 and 2007 may be categorised as follows:

	2009	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables (including cash and bank balances) measured at amortised cost	4,158	8,698	14,205
Available-for-sale financial assets measured at fair value	60,419	134,364	—
Financial liabilities			
Quasi-equity loan	95,068	95,068	—
Financial liabilities measured at amortised cost	17,971	19,085	3,066

38. SIGNIFICANT POST BALANCE SHEET NON-ADJUSTING EVENT

(i) The Company entered into termination agreement on 5 June 2009 with Pacific Capital to cancel and terminate the subscription agreement and the supplemental agreement in respect of the Convertible Notes under mutual agreement. The Company and Pacific Capital agreed to release and discharge each other from all obligations under subscription agreement and the supplemental agreement. Further details are set out in the Company's announcement dated 7 June 2009.

(ii) On 7 June 2009, Great Luck Management Limited and Mr. Yeung Ka Sing, Carson ("Vendors"), the Company and the placing agent entered into the top-up placing and subscription agreement pursuant to which, the Vendors agreed to place, through the placing agent, an aggregate of 150,000,000 existing shares. The gross proceeds from the top-up subscription are HK$60,000,000. The net proceeds of approximately HK$58,000,000 from the top-up subscription are intended to be used as general working capital of the Group, for expansion of the Group's business and/or possible investments in the future when opportunities arise. The details of the top-up placing and subscription agreement are set out in the Company's announcement dated 8 June 2009.

39. COMMITMENT

The Company and the Group did not have any capital commitment for the Relevant Years.

A. INDEBTEDNESS STATEMENT

As at the close of business on 5 August 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Prospectus, the Group had total outstanding borrowings of approximately HK$103 million, representing unsecured amounts due to directors of the Company.

Apart from intra-group liabilities and normal trade and other payables arising in the ordinary course of business, at the close of business on 5 August 2009, the Group did not have any outstanding indebtedness, loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debenture, mortgages, charges or loans or acceptance credits or hire purchase or finance lease commitment, guarantees or contingent liabilities.

The directors confirmed that, save as disclosed herein, there has not been any material change in the indebtedness or contingent liabilities of the Group since 5 August 2009 except that subsequent to 5 August 2009, the Company has entered into a loan agreement of HK$690 million with a third party (the "Lender") on 13 August 2009, HK$690 million has been drawn down under the facility, which is secured by a debenture of HK$690 million issued by the Company to the Lender and personal guarantees from two directors of the Company up the aggregate amount of HK$690 million. The loan facility is repayable six months from the date of drawdown. The Company's (i) custody money placed in a financial institution and available-for-sale financial assets with an aggregate carrying value of approximately HK$125 million as at 5 August 2009; and (ii) equity interests in its two subsidiaries are pledged to the Lender to secure the above loan facility granted to the Company by way of first floating charge, all its undertaking, property, assets and rights of the Company, whatsoever and wheresoever, both present and future including but not limited to, its uncalled capital, book and other debts, goodwill, patents, patent applications, trade marks, trade names, registered designs, copyrights, privileges, licenses and ancillary and connected rights other than those disclosed in (i) and (ii) hereafter referred to as (the "Security"). The Security shall exist and operate as a specific security in respect of all or part of the undertaking or present and future property or assets of the Company or in respect of any specifically identifiable or ascertainable property or assets of the Company.

B. WORKING CAPITAL

Taking into consideration the financial resources available to the Group, including their internally generated funds and financial supports from one of beneficial and substantial shareholders of the Company by not demanding for repayment on amount due to a director until the Company and the Group are financially capable to do so for a period of at least twelve months from the date of the Prospectus and the estimated net proceeds from the Open Offer, and in the absence of unforeseen circumstances, the directors are of the opinion that the Group will have sufficient working capital for a period of at least twelve months from the date of the Prospectus.

Under the situation where the Open Offer cannot proceed, the Company will still have sufficient working capital for a period of at least twelve months from the date of the Prospectus after the repayment of the loan amount of HK$690 million, on the basis that the guarantee given by the directors of the Company regarding the HK$690 million loan to the Company remains valid and the directors of the Company do not demand for repayment on the amounts due to them until the Company and the Group is financially capable to do so for a period of at least twelve months from the date of the Prospectus.

C. MATERIAL ADVERSE CHANGES

At the Latest Practicable Date, the Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 March 2009, the date of which the latest published financial statements of the Group were made up.

A. UNAUDITED PRO FORMA STATEMENT OF THE ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is an illustrative and unaudited pro forma statement of the adjusted consolidated net tangible assets of the Group which has been prepared on the basis of the notes set out below for illustrating the effect of the open offer on the audited consolidated net tangible liabilities of the Group as if it had taken place on 31 March 2009. This pro forma financial information has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 31 March 2009 or any future date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the audited consolidated net tangible liabilities of the Group as at 31 March 2009 set out in the financial information on the Group in Appendix I to the Prospectus and is adjusted for the effect of the Open Offer.

	Consolidated net tangible liabilities of the Group as at 31 March 2009	Estimated net proceeds from the open offer	Unaudited pro forma adjusted consolidated net tangible assets of the Group after the open offer	Consolidated net tangible liabilities of the Group per share as at 31 March 2009	Unaudited pro forma adjusted consolidated net tangible assets of the Group per share as at 31 March 2009
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$*	*HK$*
Based on the Subscription Price of HK$0.4 per offer share	(65,223)	750,000	684,777	(0.066)	0.232

Notes:

1. The consolidated net tangible liabilities of the Group as at 31 March 2009 represents the net liabilities of the Group of approximately HK$65,223,000 as at 31 March 2009.

2. The estimated net proceeds from the open offer are calculated based on 1,961,694,400 offer shares to be issued at the subscription price of HK$0.4 per offer share and deducting the estimated related legal and professional expenses of approximately HK$34,678,000. Pursuant to the underwriting agreement, an underwriting commission shall be payable to the underwriter calculated at 2.5% of the aggregate subscription price of the offer shares underwritten by the underwriter, being not less than 1,554,537,600 offer shares and not more than 1,596,137,600 offer shares. No underwriting commission is recorded as it is assumed that the underwriter is not required to underwrite the offer shares for the preparation of the unaudited pro forma financial information.

3. The calculation of consolidated net tangible liabilities value of the Group per share as at 31 March 2009 is based on the consolidated net tangible liabilities of the Group of approximately HK$65,223,000 and the 985,151,000 shares in issue as at 31 March 2009.

4. The calculation of unaudited pro forma adjusted consolidated net tangible assets value of the Group per share as at 31 March 2009 is based on the unaudited pro forma adjusted consolidated net tangible assets of the Group after the open offer of approximately HK$684,777,000; and 2,946,845,400 adjusted shares in issue immediately following the completion of the open offer which comprise the 985,151,000 shares in issue as at 31 March 2009 and the 1,961,694,400 offer shares to be issued to the qualifying shareholders on the basis of 8 offer shares for every 5 existing shares held on the record date.

5. No adjustment has been made to reflect any trading results or other transaction of the Group entered into subsequent to 31 March 2009.

B. REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the text of a report from BDO Limited, the reporting accountants of the Company as set out in this Appendix and prepared for the sole purpose of inclusion in this Prospectus.

BDO

BDO Limited
Certified Public Accountants
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30 September 2009

The Board of Directors
Grandtop International Holdings Limited
Unit 3008
30/F West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Dear Sirs

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of Grandtop International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") as set out on pages 88 and 89 under the heading of "UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP" in Appendix III to the Company's Prospectus (the "Prospectus") dated 30 September 2009, which have been prepared by the directors of the Company, solely for illustrative purposes only, to provide information about how the proposed issue of offer shares to the qualifying shareholders on the basis of 8 offer shares for every 5 existing shares held on the record date to raise not less than approximately HK$785 million but not more than approximately HK$801 million, before expenses, might have affected the relevant financial information of the Group as at 31 March 2009. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 88 and 89 of the Prospectus.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by Rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the consolidated net liabilities of the Group as at 31 March 2009 as set out in the financial information on the Group in Appendix I of the Prospectus for the year ended 31 March 2009, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 March 2009 or any future date.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Yours faithfully,
BDO Limited
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This Prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following completion of the Open Offer was and will be, as follows:

Authorised	*HK$*
10,000,000,000 Shares	100,000,000.00
Issued and to be issued as fully paid	
1,226,059,000 Shares as at the Latest Practicable Date	12,260,590.00
1,961,694,400 Offer Shares to be issued pursuant to the Open Offer	19,616,944.00
	31,877,534.00

All the Shares in issue and to be issued (when fully paid) rank and will rank pari passu in all respects with each other including rights to dividends, voting and return of capital. As at the Latest Practicable Date, no share or loan capital of the Company has been issued or is proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital, except for the Open Offer.

The Shares are listed on the Main Board of the Stock Exchange. No part of the share or loan capital of the Company is listed or dealt in, nor is listing or permission to deal in the share or loan capital of the Company being, or proposed to be, sought, on any other stock exchange. There are no arrangements under which future dividends will be waived or agreed to be waived.

Save for the options granted under the Company's share option scheme adopted on 30 July 2007, the Company has no share or loan capital of the Company or any member of the Enlarged Group has been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion tight affecting the Shares has been issued or granted or agreed conditionally or unconditionally to be issued or granted.

3. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), to be notified to the Company and the Stock Exchange, was as follows:

(a) Long Position in Shares

Name of Director	Capacity	Total number of Shares held	Approximate percentage in issued Shares
Yeung Ka Sing, Carson	Beneficial owner/ Interest in controlled corporation	196,252,000 *(Note 1)*	16.01%
Hui Ho Luek, Vico	Deemed interest/ Interest in controlled corporation	76,245,000 *(Note 2)*	6.22%

Notes:

1. These Shares are held as to 71,328,000 by Yeung Ka Sing, Carson and as to 124,924,000 by Great Luck Management Limited, a company incorporated in the British Virgin Islands and wholly-owned by Yeung Ka Sing, Carson.

2. These Shares are held as to 13,245,000 by Leung Choi Fan, the spouse of Hui Ho Luek, Vico and as to 63,000,000 by Premier Rise Investments Limited, a company incorporated in the British Virgin Islands and wholly-owned by Hui Ho Luek, Vico.

(b) Long Position in Underlying Shares Under the Share Option Scheme of the Company

Name of Director	Capacity	Number of options held	Number of Underlying Shares held
Steven McManaman	Beneficial Owner	2,000,000	2,000,000

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to in such provisions of the SFO; or (iii) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

4. SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors or chief executive of the Company, save as disclosed in (3) above and here below, no other person (other than a Director or chief executive of the Company), who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the normal value of any class of shares carrying the rights to vote in all circumstances at general meetings of the Company or any other members of the Enlarged Group and none of the Directors held any directorship or employment in a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Long Position in BCFC Shares

Name of shareholder	Capacity	Number of BCFC Shares held	Percentage of issued share capital of BCFC
David Sullivan as trustee of the Roldvale & Associated Pension Scheme	Trustee	10,924,137	13.40%
Conegate Limited	Beneficial Owner	9,000,690	11.04%
David Gold	Beneficial Owner	10,619,786	13.03%
Ralph Gold	Beneficial Owner	10,212,413	12.53%

5. DIRECTORS' SERVICE CONTRACTS

Mr. Steven McManaman, an executive Director, has entered into a service agreement with the Company for an initial fixed term of 3 years commencing from 2 July 2007 which is subject to termination with six months' notice in writing served by either party to the other party or payment in lieu of notice. Mr. McManaman is entitled to a monthly director's salary of HK$100,000 which was determined by the Board on the basis of his qualification, experience and level of responsibilities and by reference to market benchmark. On 1 August 2008, the changes of the terms of employment under the service agreement have been made with the Company regarding a monthly director's salary changed from HK$100,000 to HK$50,000 with effect from 1 August 2008. Other than the rate of monthly director's salary, the remaining terms of the service agreement shall be unaffected. He is subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Company's Articles of Association.

Mr. Christian Lali Karembeu, an non-executive Director, has entered into a service agreement with the Company for an initial fixed term of 3 years commencing from 7 August 2007 which is subject to termination with six months' notice in writing served by either party to the other party or payment in lieu of notice. Mr. Karembeu is entitled to a monthly director's salary of HK$100,000 which was determined by the Board on the basis of his qualification, experience and level of responsibilities and by reference to market benchmark. On 1 August 2008, the changes of the terms of employment under the service agreement have been made with the Company regarding a monthly director's salary changed from HK$100,000 to HK$50,000 with effect from 1 August 2008. Other than the rate of monthly director's salary, the remaining terms of the service agreement shall be unaffected. He is subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Company's Articles of Association.

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into any service contract with the Company or any other member of the Enlarged Group (excluding contracts expiring or determinable by the Enlarged Group within one year without payment of compensation other than statutory compensation). There will be no variation to the remuneration and benefit in kind receivable by the Directors as a result of the Acquisition.

6. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates were considered to have interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or have or may have any other conflicts of interest with the Group pursuant to the Listing Rules.

7. LITIGATION

A writ was filed against the Company in respect of a claim for reimbursement of expenses paid on behalf of the Group amounting to approximately HK$3,000,000 on 26 July 2006. The Company was not aware of such alleged payments and had instructed lawyers to deal with the matter. The Directors are in the opinion that the claim is not justifiable and without merit.

Save as disclosed above, as at the Latest Practicable Date, no member of the Enlarged Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the member of the Enlarged Group within the two years immediately preceding the Latest Practicable Date:

(a) a deed of variation dated 24 August 2007 entered into between the Company and Kingston Securities Limited ("Kingston") in relation to the extension of the longstop date of the placing agreement dated 13 July 2007 entered into between the Company and Kingston in relation to the private placing of unlisted warrants of the Company (the "Placing Agreement");

(b) a deed of variation dated 14 September 2007 entered into between the Company and Kingston in relation to the extension of the longstop date of the Placing Agreement;

(c) a deed of variation dated 12 October 2007 entered into between the Company and Kingston in relation to the extension of the longstop date of the Placing Agreement;

(d) a conditional placing and subscription agreement dated 30 October 2007 entered into among Premier Rise Investments Limited ("Premier Rise"), the Company and Kingston in respect of the placing of up to 69,120,000 Shares owned by Premier Rise and subscription for 69,120,000 Shares by Premier Rise;

(e) a deed of variation dated 23 November 2007 entered into between Far Grow Investments Limited, a wholly-owned subsidiary of the Company and Chung Tat Fun in relation to the extension of the longstop date of the sale and purchase agreement dated 23 July 2007 in relation to the acquisition of a 51% equity interest in Guangzhou Yuexiu Music Factory Entertainment Ballroom;

(f) a termination agreement dated 29 November 2007 entered into between the Company and Kingston in relation to the termination of the Placing Agreement;

(g) a supplemental agreement dated 4 June 2008 (the "Supplemental Agreement") entered into between the Company and Pacific Capital Investment Management Limited ("Pacific Capital") in relation to the additional of a supplemental provision to the subscription agreement dated 7 May 2008 entered into between the Company and Pacific Capital in connection with the issue of the convertible notes of the Company (the "Subscription Agreement");

(h) a termination agreement dated 5 June 2009 entered into between the Company and Pacific Capital in relation to the termination of the Subscription Agreement and the Supplemental Agreement;

(i) the agreement dated 7 June 2009 entered into between Great Luck Management Limited and Mr. Yeung Ka Sing, Carson (the "Vendors"), the Company and Kingston in relation to the top-up placing of and top-up subscription for 150,000,000 Shares by the Vendors;

(j) the Underwriting Agreement;

(k) an Escrow Agreement entered into between the Company and the lawyers to BCFC regarding the making of a £3 million deposit to BCFC in connection with the Acquisition; and

(l) the loan facility agreement dated 13 August, 2009 entered into between the Company as Best China Limited, a company beneficially owned by Mrs. Chu Yuet Wah, the controlling shareholder of Kingston Securities Limited, in relation to a loan of up to HK$690,000,000.

9. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Ip Wing Lun who is a member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The head office and principal place of business in Hong Kong is located at Unit 3008, 30/F., Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong. The principal share registrar and transfer office of the Company in the Cayman Islands is at HSBC Trustee (Cayman) Limited, P. O. Box 484, HSBC House, 68 West Bay Road, Grand Cayman, KY1-1106, Cayman Islands.

(c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) The English text of this Prospectus shall prevail over the Chinese text.

(e) None of the Directors was materially interested, directly or indirectly, in any asset, contract or arrangement entered into by any member of the Enlarged Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Enlarged Group.

(f) None of the Directors has or had any direct or indirect in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group are proposed to be acquired or disposed of by or leased to member of the Enlarged Group since 31 March 2009, being the date to which the latest published audited accounts of the Group were made up.

(g) The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law of the Cayman Islands, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the articles of association in general, can be varied with the sanction of a special resolution of the Company.

(h) Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

(i) The authorised representative of the Company are Ms. Wong Po Ling, Pauline and Mr. Ip Wing Lun. Their business address is at Unit 3008, 30th Floor, West Tower, Shun Tak Centre, No. 168-200 Connaught Road Central, Hong Kong.

10. EXPERT AND CONSENT

The following are the qualifications of the experts who have given opinion or advice contained in this Prospectus:

Name	**Qualification**
BDO Limited (“BDO”)	Certified Public Accountants

BDO has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its report and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, BDO is not beneficially interested in the share capital of any member of the Enlarged Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, BDO did not have any direct or indirect interest in any assets which have been since 31 March 2009 (the date to which the latest published audited accounts of the Group were made up) acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at Unit 3008, 30/F., Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong during normal business hours on any weekday other than public holidays, from the date of this Prospectus up to Wednesday, 14 October 2009:

(a) the Memorandum and Articles of Association of the Company;

(b) the material contracts referred to in the paragraph headed "Material Contracts" to this Appendix;

(c) the annual reports of the Group for the three financial years ended 31 March 2007, 2008 and 2009;

(d) a letter from BDO in respect of the unaudited pro-forma financial information on the net tangible assets of the Group referred to in Appendix III to this Prospectus;

(e) the written consent of the experts referred to in the section headed "Expert and Consent" in this Appendix; and

(f) the circular of the Company dated 14 September 2009 in relation to the General Offer and the Open Offer.

12. CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Head office and principal place of business in Hong Kong	Unit 3008, 30/F., West Tower Shun Tak Centre 168-200 Connaught Road Central Hong Kong
Authorised representatives	Ms. Wong Po Ling, Pauline Unit 3008, 30/F, West Tower Shun Tak Centre 168-200 Connaught Road Central Hong Kong
	Mr. Ip Wing Lun Unit 3008, 30/F, West Tower Shun Tak Centre 168-200 Connaught Road Central Hong Kong
Qualified accountant	Ms. Wong Po Ling, Pauline Unit 3008, 30/F, West Tower Shun Tak Centre 168-200 Connaught Road Central Hong Kong
Company Secretary	Mr. Ip Wing Lun Unit 3008, 30/F, West Tower Shun Tak Centre 168-200 Connaught Road Central Hong Kong
Auditors	BDO Limited *Certified Public Accountant* 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong

Legal Advisers	*as to Hong Kong law* Robertsons, Solicitors & Notaries 57th Floor, The Center 99 Queen's Road Central Hong Kong *as to Cayman Islands law* Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central, Hong Kong
Principal share registrar and transfer office	HSBC Trustee (Cayman) Limited PO Box 484, HSBC House, 68 West Bay Road, Grand Cayman, KY1-1106, Cayman Islands
Hong Kong branch share Registrar and transfer office	Tricor Tengis Limited 26th Floor, Tesbury Centre 28 Queen's Road East, Wanchai, Hong Kong
Principal banker	Wing Lung Bank Limited 45 Des Voeux Road Central, Hong Kong

13. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus Documents and the consent letter referred to in the paragraph headed "Expert and Consent" in this Appendix have been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance.

14. BINDING EFFECT

The Prospectus Documents shall have the effect, if an application is made in pursuance of the Prospectus Documents, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Section 44A and 44B of the Companies Ordinance so far as applicable.

15. PARTICULARS OF DIRECTORS

Executive Directors

Mr. Yeung Ka Sing, Carson, aged 49, of Unit 3008, 30th Floor, West Tower, Shun Tak Centre, No 168-200 Connaught Road Central, Hong Kong has accumulated many years of experience in international investments. He has been the Chairman of Hong Kong Rangers Football Club during 2005 to 2006. Mr. Yeung is a director of Universal Management Consultancy Limited and Universal Energy Resources Holdings Limited. He was appointed as an executive director and the Chairman of the Board of the Company on 20 July 2007.

Mr. Hui Ho Luek, Vico, aged 43, of Unit 3008, 30th Floor, West Tower, Shun Tak Centre, No 168-200 Connaught Road Central, Hong Kong has accumulated over 20 years of experience in management of business trade and project investments. Mr. Hui also has extensive experience in corporate finance and in international investments. He was appointed as an executive director on 20 June 2007.

Mr. Steven McManaman, aged 37, of Unit 3008, 30th Floor, West Tower, Shun Tak Centre, No 168-200 Connaught Road Central, Hong Kong has accumulated over 15 years of experience in football industry. He is a former English footballer of the 1990s and early 2000s, who played in a career spanning two of European Football's biggest club in Liverpool F.C. and Real Madrid F.C. Mr. McManaman has substantial experience in the management of football club and its continuing development. He was appointed as an executive director on 2 July 2007.

Mr. Lee Yiu Tung, aged 46, of Unit 3008, 30th Floor, West Tower, Shun Tak Centre, No 168-200 Connaught Road Central, Hong Kong is a registered architect in Hong Kong with extensive working experiences related to PRC property development, project management and development consultant services. Mr. Lee is a member of Royal Institute of British Architects and Hong Kong Institute of Architects. He holds a Bachelor of Arts in Architectural Studies with Honors, a Bachelor of Architecture and a Master of Science degree in Real Estate all from the University of Hong Kong. He also holds a qualification of Real Estate Planner recognized by the Ministry of Labor and Social Security, PRC. He was appointed as an executive director on 13 June 2006.

Mr. Ip Wing Lun, aged 41, of Unit 3008, 30th Floor, West Tower, Shun Tak Centre, No 168-200 Connaught Road Central, Hong Kong is a Certified Public Accountant (Practising) in Hong Kong. Mr. Ip is currently an independent nonexecutive director of China Energy Development Holdings Limited (stock code 228) which is listed on the Main Board of The Stock Exchange of Hong Kong Limited, a non-executive director of SMI Publishing Group Limited (stock code 8010) which is listed on the GEM Board of The Stock Exchange of Hong Kong Limited. Mr. Ip holds a Master degree of Business Administration and is a fellow member of Hong Kong Institute of Certified Public Accountants, an associate member of the Institute of Chartered Secretaries and Administrator, the Hong Kong Institute of Chartered Secretaries and the Taxation Institute of Hong Kong, and an ordinary member of Hong Kong Securities Institute. He has over 15 years of experience in auditing, taxation and provision of financial consultancy services of companies in Hong Kong and the PRC. He was re-designated as an executive director on 17 July 2007. On 5 December 2006, he was appointed as an independent non-executive director and re-designated as a non-executive director on 22 May 2007. He is a spouse of Ms. Wong Po Ling, Pauline who is the executive director of the Company.

Ms. Wong Po Ling, Pauline, aged 31, of Unit 3008, 30th Floor, West Tower, Shun Tak Centre, No 168-200 Connaught Road Central, Hong Kong is an associate member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. She is also an associate member of the Institute of Chartered Secretaries and Administrator and the Hong Kong Institute of Chartered Secretaries, and an ordinary member of Hong Kong Securities Institute. She holds a Master degree of Corporate Governance and a Bachelor's degree in Accountancy. Ms. Wong has more than 10 years of experience in financial accounting, management accounting and auditing, including working experience in other listed companies. She was appointed as an executive director on 29 May 2007. She is a spouse of Mr. Ip Wing Lun who is the executive director of the Company.

Non-executive Directors

Mr. Christian Lali Karembeu, aged 38, of Unit 3008, 30th Floor, West Tower, Shun Tak Centre, No 168-200 Connaught Road Central, Hong Kong has accumulated over 20 years of experience in professional football and a member of the French National Team which won the World Cup in 1998. He played in a career spanning famous football clubs in Middlesbrough F.C., Real Madrid F.C. and Sampdoria F.C. Mr. Karembeu has substantial experience in the management of football club and its continuing development. He was appointed as a non-executive director on 7 August 2007.

Mr. Chan Wai Keung, aged 56, of Unit 3008, 30th Floor, West Tower, Shun Tak Centre, No 168-200 Connaught Road Central, Hong Kong is the committee member of the People's Political Consultation Committee of Lungguang, Shenzhen, the PRC since 1998. Currently, he is an executive director of China Energy Development Holdings Limited (stock code: 228) which is listed on the Main Board of the Stock Exchange of Hong Kong, He is also the President of Global Resources Recovery (Canada) Inc., GRR Conception Recycling Inc. and the chief executive officer of True Product ID Technology Limited, China Fishery and Agriculture Bioenvironmental Technology (Hong Kong) Ltd. and Sure Trace Security Corporation (shares of which are listed in OTC Bulletin Board). Mr. Chan has over 25 years of experience in the operation of business development, China trade, international trade and venture capital etc. He was appointed as a non-executive director on 12 December 2007.

Independent Non-executive Directors

Mr. Chang Kin Man, aged 45, of Unit 3008, 30th Floor, West Tower, Shun Tak Centre, No 168-200 Connaught Road Central, Hong Kong is a certified public accountant in Hong Kong and a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Chang holds a Bachelor of Science degree in Economics and a Master's degree in Applied Finance. Mr. Chang has extensive experience in corporate finance and in accounting field. He worked for an international accounting firm and a number of public listed companies for more than 15 years. He is currently an independent non-executive director of China Energy Development Holdings Limited (stock code: 228) and China Water Industry Group Limited (stock code: 1129), both are listed companies on the Main Board of the Stock Exchange. He was appointed as an independent non-executive director on 13 July 2006.

Mr. Yau Yan Ming, Raymond, aged 41, of Unit 3008, 30th Floor, West Tower, Shun Tak Centre, No 168-200 Connaught Road Central, Hong Kong has over 12 years of work experience in auditing, accounting, taxation, company secretarial, corporate finance and financial management, in both private and listed companies. Mr. Yau is an associate member of both the Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants. He is currently an independent non-executive director of Willie International Holdings Limited (stock code: 273) which is listed on the main board of the Stock Exchange and he is currently a chairman and executive director of iMerchants Limited (stock code: 8009) which is listed on the Growth Enterprise Market of the Stock Exchange. Mr. Yau holds a Master degree in Science majoring in Japanese business studies and Bachelor degree in Business Administration majoring in accounting in the United States of America. He was appointed as an independent non-executive director on 9 October 2007.

Mr. Zhou Han Ping, aged 39, of Unit 3008, 30th Floor, West Tower, Shun Tak Centre, No 168-200 Connaught Road Central, Hong Kong graduated in Guangzhou Institute of Foreign Trade in 1994. Mr. Zhou was an Export & Import Manager of China National Packaging Import & Export Corporation)(中國包裝進出口總公司). Mr. Zhou was a Manager of South China Region of CIMC (China International Marine Container Holding Limited)(中國國際海運集裝箱(集團)股份有限公司). He had over 10 years experience in International Trade Settlement. Now, Mr. Zhou is Managing Director of Shenzhen Miao Fang Development Company Limited (深圳市苗方科技有限公司) since 2002. He was appointed as an independent non-executive director on 28 February 2007.

A. SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and the assets and liabilities of BCFC for the six months period ended 28 February 2009, years ended 31 August 2008 and 2007 which are prepared in accordance with the accounting policies of International Financial Reporting Standards (IFRS) and the published results and assets and liabilities for the year ended 31 August 2006 which is prepared in accordance with the accounting policies of UK Generally Accepted Accounting Practice (UK GAAP), as extracted from the audited financial statements, is set out below. No qualified or modified opinion has been issued on the BCFC's financial statements for the three years ended 31 August 2008, 2007 and 2006 (the "Relevant Years").

B. CONSOLIDATED FINANCIAL INFORMATION

Income Statements

		For the six months period ended 28 February	For the year ended 31 August		
		2009	2008	2007	2006
	Notes	*£000*	*£000*	*£000*	*£000*
		(Unaudited)		Restated *(note 21)*	
Continuing operations					
Revenue	*2*	15,614	49,836	25,039	40,117
Operating expenses		(15,259)	(37,007)	(30,534)	(34,391)
Profit/(loss) from operations before player amortisation and profit on sale of players		355	12,829	(5,495)	5,726
Player amortisation		(5,257)	(13,975)	(8,170)	(10,084)
Profit on sale of player registrations		895	5,530	7,769	7,063
Profit/(loss) from operations		(4,007)	4,384	(5,896)	2,705
Finance income — bank interest receivable		186	30	62	39
Finance costs	*3*	(35)	(118)	(800)	(111)
Profit/(loss) before taxation	*4*	(3,856)	4,296	(6,634)	2,633
Taxation	*6*	1,065	(1,700)	1,889	(882)
Profit/(loss) attributable to equity shareholders	*21*	(2,791)	2,596	(4,745)	1,751
Earnings per share:					
— Basic and diluted (pence per share)	*7*	(3.42p)	3.19p	(5.87p)	2.17p

Consolidated Statement of Recognised Income and Expense

There were no recognised gains or losses other than those reported in the results above for the year ended 31 August 2008 and the impact of the adjustment of £631,000 for the year ended 31 August 2007 as disclosed in note 21 of these financial statements.

Balance Sheets

		As at 28 February	Group As at 31 August			Company As at 31 August		
		2009	2008	2007	2006	2008	2007	2006
	Notes	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
		(Unaudited)		Restated *(note 21)*				
ASSETS								
Non-current assets								
Intangible assets	*8*	13,230	17,470	25,206	14,185	—	—	—
Property, plant and equipment	*9*	12,672	12,891	13,138	12,529	—	—	—
Deferred tax asset	*18*	—	203	789	—	—	—	—
Investments	*10*	—	—	—	—	3,518	3,518	3,518
Trade and other receivables	*12*	—	500	1,750	—	14,731	14,731	14,648
		25,902	31,064	40,883	26,714	18,249	18,249	18,166
Current assets								
Inventories	*11*	360	612	555	360	—	—	—
Trade and other receivables	*12*	7,452	11,687	12,075	10,407	—	—	—
Cash and cash equivalents		—	4,235	3,905	4,308	—	—	—
		7,812	16,534	16,535	15,075	—	—	—
Total assets		33,714	47,598	57,418	41,789	18,249	18,249	18,166
LIABILITIES								
Non-current liabilities								
Preference shares	*14*	18	18	18	18	18	18	18
Interest bearing loans and borrowings	*15*	1,296	861	981	282	—	—	—
Deferred income		297	541	1,233	2,514	—	—	—
Capital grants (deferred income)	*16*	1,994	2,022	2,079	2,136	—	—	—
Trade payables	*13*	1,728	3,056	2,678	—	—	—	—
		5,333	6,498	6,989	4,950	18	18	18

		As at 28 February	Group			Company		
			As at 31 August			As at 31 August		
		2009	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**
	Notes	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
		(Unaudited)		Restated *(note 21)*				
Current liabilities								
Interest bearing loans, overdrafts and borrowings	*15*	3,198	942	113	90	—	—	—
Trade and other payables	*13*	9,558	13,357	20,059	11,534	—	—	—
Corporation tax payable		—	1,114	—	889	—	—	—
Deferred income		4,417	11,836	21,156	10,771	—	—	—
Capital grants (deferred income)	*16*	56	57	57	57	—	—	—
Provisions	*17*	2,154	2,154	—	—	—	—	—
Deferred tax liability	*18*	149	—	—	10	—	—	—
		19,532	29,460	41,385	23,351	—	—	—
Total liabilities		24,865	35,958	48,374	28,301	18	18	18
Net assets		8,849	11,640	9,044	13,488	18,231	18,231	18,148
Capital and reserves								
Issued share capital	*20*	8,150	8,150	8,150	8,075	8,150	8,150	8,075
Other reserves	*21*	7,855	7,855	7,855	7,847	10,081	10,081	10,073
Retained earnings	*21*	(7,156)	(4,365)	(6,961)	(2,434)	—	—	—
Total Equity	*21*	8,849	11,640	9,044	13,488	18,231	18,231	18,148

Cash Flow Statements

	Note	For the six months ended 28 February 2009 £000 (Unaudited)	Group For the year ended 31 August 2008 £000	Group 2007 £000	Group 2006 £000	Company For the year ended 31 August 2008 £000	Company 2007 £000	Company 2006 £000
Net cash inflow from operations	25	(5,727)	1,218	8,167	3,707	—	—	—
Cashflow from investing activities								
Acquisition of property, plant and equipment		(72)	(341)	(1,162)	(228)	—	—	—
Proceeds from sale of property, plant and equipment		—	20	12	—	—	—	—
Acquisition of player's registrations		(4,923)	(13,013)	(16,997)	(12,671)	—	—	—
Proceeds from sale of players registrations		3,795	11,737	8,739	7,100	—	—	—
Net cash outflow from investing activities		(1,200)	(1,597)	(9,408)	(5,799)	—	—	—
Cashflows from financing activities								
Proceeds from issue of capital		—	—	83	—	—	—	—
Capital repayments of borrowings		(67)	(110)	(81)	(45)	—	—	—
New loans		503	—	836	—	—	—	—
Net cashflow from financing activities		436	(110)	838	(45)	—	—	—
Net decrease in cash and cash equivalents		(6,491)	(489)	(403)	(2,137)	—	—	—
Cash and cash equivalents at start of period		3,416	3,905	4,308	6,404	—	—	—
Cash and cash equivalents at end of period		(3,075)	3,416	3,905	4,267	—	—	—
Represented by:								
Cash in hand and at bank		—	4,235	3,905	4,308	—	—	—
Bank overdraft		(3,075)	(819)	—	(41)	—	—	—
		(3,075)	3,416	3,905	4,267	—	—	—

Notes to the Financial Statements

1. ACCOUNTING POLICIES

(a) Reporting entity

Birmingham City plc is a company domiciled in the United Kingdom. The address of the company's registered office is located at St Andrew's Stadium, Birmingham B9 4NH.

(b) Basis of preparation

The financial statements of the group and parent entity for the years ended 31 August 2008 and 2007 have been prepared in accordance with IFRS adopted by the European Union and IFRIC interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS for the first time. The financial statements have been prepared under the historical cost convention. The group has prepared the financial statements on a going concern basis.

The group financial statements consolidate those of the company and its subsidiary (together referred to as "the group"). As permitted by section 230 of the Companies Act 1985, the income statement of Birmingham City plc has not been presented in the financial statements. The parent company does not trade. Its results for the year ended 31 August 2008 is £nil (2007 and 2006: £nil).

Standards that have been issued in the period, but are not yet effective for the financial year ended 31 August 2008 includes:

- IAS 1 (Revised 2007) "Presentation of financial statements" effective for year ended 31 August 2010 and will require the group to alter the format of its primary statements.

Other changes not expected to have any significant impact on the group include:

- IFRS 8 "Segmental reporting" effective for the year ended 31 August 2010.
- IAS 23 (Revised 2007) "Borrowing costs" effective for the year ended 31 August 2010.
- IAS 27 (Revised 2008) — "Consolidated and Separate Financial Statements" effective for year ended 31 August 2010.
- IAS 32 (Revised) "Financial instruments" effective for the year ended 31 August 2010.

The accounting policies set out below have, unless otherwise stated, been applied consistently for the group to the year ended 31 August 2008 and 2007 presented in these consolidated financial statements and in preparing an opening IFRS balance sheet at transition date, being 1 September 2006.

(c) Transition to IFRS

The group have prepared their financial statements in accordance with IFRSs for the first time for the year ended 31 August 2008 and 2007 and consequently have applied IFRS 1. An explanation of how the transition to IFRSs has affected the previously reported financial position, financial performance and cash flows of the group is provided in note 26.

IFRS 1 grants certain exemptions from the full reporting requirements of IFRSs in the transitional period. The following exemptions have been applied in these financial statements:

- ***Business combinations:*** The group has applied the business combinations exemption in IFRS 1. It has not restated business combinations that took place prior to 1 September 2006 (being its transition date).

- ***Fair value as deemed cost:*** the group has not taken the option to restate items of property, plant and equipment to their fair value at 1 September 2006. Instead, the deemed cost under adopted IFRSs will be the cost amount of each asset, previously shown under UK GAAP.

(d) Basis of consolidation

Control exists where the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra group balances and intra group transactions are eliminated in preparing the consolidated financial statements.

(e) Revenue recognition

Revenue represents income arising from sales to third parties, and excludes transfer fees receivable and value added tax.

(i) Season ticket and corporate hospitality revenue is recognised over the period of the football season as home matches are played.

(ii) Fixed elements of FA Premier League central broadcasting contracts are recognised over the period of the football season as league matches (home and away) are played. Appearance fees are accounted for as earned. The merit based payment in respect of the position achieved in the league table is recognised at the end of the league season, when the final league position is known (applicable to Premier League only).

(iii) Sponsorship contracts are recognised over the duration of the contract, either on a straight-line basis, or over the period of the football season, as appropriate, based on the terms of the contract.

(iv) Catering revenues are recognised on an earned basis.

(v) Revenue from the sale of branded products is recognised at the point of despatch when significant risks and rewards of ownership is deemed to have been transferred to the buyer.

(f) Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives are recognised in the income statement as an integral part of the total lease expense on the same basis. The group does not have any obligations under finance leases.

Net financing costs

Net financing costs comprise interest payable on borrowings, calculated using the effective interest rate method and interest receivable on funds invested.

The discounting of the deferred payments for the purchase of players' registrations produces a notional interest payable amount and this is charged to finance costs.

(g) Taxation

Tax on the result for each period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is not discounted.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(h) Intangible assets

(i) Acquired players' registrations

The costs associated with the acquisition of players' registrations are initially recorded at their fair value at the date of acquisition. These costs are fully amortised over the period of the respective players' contracts, being between 1 and 5 years. A provision is made in accruals, where in management's opinion, the club is likely to achieve promotion to the premiership league or retain premiership status or where a player is likely to achieve a contractually agreed number of first team appearances. Where the outcome of this is uncertain, the maximum amount payable is disclosed as a contingent liability.

For the purposes of impairment reviews, acquired players' registrations are classified as a single cashgenerating unit until the point at which it is made clear that the player no longer remains an active member of the playing squad. In these circumstances the carrying value of the players' registration is reviewed against a measurable net realisable value.

Acquired players' registrations are classified as "Assets held for sale" on the balance sheet if, at any time it is considered that the carrying amount of a registration will be recovered principally through a sale. The measurement of the registration is the lower of (a) fair value (less costs to sell) and (b) carrying value. Amortisation of the asset is suspended at the time of reclassification, although impairment charges still need to be made if applicable.

(ii) Amortisation

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible fixed assets unless such lives are indefinite. Intangible assets with an indefinite life are systematically tested for impairment at each balance sheet date.

(i) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the income statement, to write off the cost of property, plant and equipment less estimated residual value, on a straight-line basis, over their estimated useful lives as follows:

Freehold land	—	Not depreciated
Freehold buildings	—	50 years
Long leasehold property improvements	—	Shorter of lease or 50 years
Fixtures and equipment	—	Between 3 and 5 years
Motor vehicles	—	5 years

(j) Leased assets

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the group's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged in the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account as incurred.

(k) Grants

Grants and donations received in respect of safety work and ground developments are credited to deferred capital grants and are released to the profit and loss account over the anticipated useful life of the assets to which they relate. Football Trust grants received towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is based on the estimated selling price in the ordinary course of business. Provision is made for obsolete, slow-moving or defective items where appropriate.

(m) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(n) Signing on fees and image rights

Signing on fees and image rights are charged, on a straight-line basis, to the income statement over the period of the player's contract. Prepayments/accruals arising at each period end are included within prepayments and accrued income or accruals within current assets or current liabilities, as appropriate. Where a player's registration is transferred, any signing on fees payable in respect of future periods are charged against the profit/(loss) on disposal of players' registrations in the period in which the disposal is recognised.

(o) Deferred income

Deferred income comprises amounts received from capital grants, sponsorship and season ticket income. Capital grants are released to the income statement on a straight-line basis over the estimated useful lives of the assets to which they relate. Other deferred income is released to the income statement on a straight-line basis over the period to which it relates.

(p) Financial instruments

Financial assets and liabilities are recognised on the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets

The group's financial assets relate to trade and other receivables and cash and cash equivalents. Trade and other receivables are classified as loans and receivables and are measured initially at fair value plus transaction costs and are carried subsequently at amortised cost under the effective interest method, less provision for any impairment. Any change in their value through impairment or reversal of impairment is recognised in the Income Statement. There are no financial assets classified as fair value through profit and loss or as held to maturity or available for sale.

All financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is evidence that a loss event has occurred and that estimated future cash flows of the financial asset have been impacted. Objective evidence of impairment for a portfolio of receivables could include the group's past experience of collecting payments, an increase in the delayed number of payments in the portfolio and the average credit period, as well as observed changes in the national or local economic conditions that correlate with default on receivables.

Financial liabilities

Financial liabilities which includes bank loans, overdrafts and trade and other payables are measured initially at fair value net of transaction costs under the effective interest method and thereafter at amortised cost. Finance charges are accounted for on an accruals basis in the Consolidated Income Statement using the effective interest method.

Derivative financial instruments

The group does use derivative financial instruments to hedge its exposure to interest rates by using an interest rate swap on its variable rate bank loan advanced in 2006. The group does not hedge account and has recognised the fair value attributable to the derivative financial instrument. Further disclosure is made in note 19 of these financial statements. The group does not use any other derivative financial instruments.

(q) Employee benefits — Pensions

Eligible employees of the group are members of the Football League Limited Pensions and Life Assurance Scheme. The group does not make contributions to the scheme. The assets and liabilities of the scheme are managed independently of the group and therefore do not form part of these financial statements.

(r) Impairment of non-current assets

All non-current assets are assessed annually for indications of impairment. Where such indicators exist, the recoverable amount is measured and any impairment loss is charged to the Income Statement. The impairment is considered based on future cash flow generation and the players marketable values.

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of the other segments.

(t) Investments — interests in subsidiary undertakings

Investments in subsidiaries are shown at cost, less provision for impairment.

(u) Critical accounting judgements and key sources of estimates of uncertainty

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expense, which may differ from actual results.

Principal risks and uncertainties facing the Group have been disclosed on page 8 in the Directors' Report to these financial statements.

There are no critical accounting judgements. The key sources of estimates of uncertainty that have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are identified below:

Player transfer costs

Management have to make certain judgements as to whether a liability should be recognised under the terms of the contracts with other football clubs in respect of player transfers. These judgements include whether in management's opinion, at the balance sheet date, the club is likely to achieve promotion to the premiership, or once promoted retain premier league status in the next season. It also requires certain judgements as to whether a player will continue to make the contractually agreed number of first team appearances. Based on these judgements, management decide on an individual player by player basis as to whether the liability is disclosed as a contingent liability in note 23 or whether it becomes recognised as a liability in trade payables on the balance sheet.

Intangible assets — acquired player registrations

Management considers the recoverability of the acquired player registrations held on the balance sheet based on current estimated fair values. Management considers the economic life of the intangible asset to be between 1 to 5 years, based on the respective players' contracts. These are reviewed annually on a player by player basis to determine whether there are indicators of an impairment. Determining whether the intangible asset should be impaired at the balance sheet date, is based on management's judgement of whether the player will no longer remain an active member of the playing squad and an assessment of the league that the club will be playing in.

Deferred tax asset

Deferred tax is accounted for on temporary timing differences using the liability method. Management considers it reasonable to recognise deferred tax assets attributable to unused tax losses based on future profit projections.

VAT tribunal over agents fees

During the year ended 31 August 2008, HM Revenue & Customs issued assessments for repayment of £576,000 (2007: £576,000) of input VAT previously recovered, which relates to payments made under the contractual arrangements between the group and certain football agents. An estimate of the potential maximum liability to 31 August 2008 is £827,000 (2007: unprovided and disclosed as a contingent liability of £820,000). A VAT tribunal decision published in May 2007 found some individual cases in favour of the group and some against. The group considers the VAT concerned has been properly recovered and, accordingly, an appeal has been lodged against the tribunal decision. The group still firmly believe that they have a strong case following the recent outcome of the Redrow case, but have decided to make a prudent provision within these accounts. The group awaits the outcome of the appeal.

2. SEGMENT ANALYSIS

The group has one main business segment, that of professional football operations. As a result, no additional business segment information is required to be provided. It operates in one geographical segment, in the United Kingdom, and accordingly no additional geographical segmental information is required to be provided. A voluntary analysis of the revenue streams is given below to assist with an understanding of the business.

	2008	**2007**	**2006**
	£000	*£000*	*£000*
Matchday	20,921	11,379	17,913
Media	18,956	6,701	13,984
Commercial	9,959	6,959	8,220
	49,836	25,039	40,117

Revenue streams comprise:

— Matchday — season and matchday tickets and FA and League distributions.

— Media — television and broadcasting income, including distributions from the FA Premier League broadcasting agreements, cup competitions and local radio.

— Commercial — sponsorship income, merchandising, conference and banqueting and other sundry revenue.

3. FINANCE COSTS

	Group		
	2008	**2007**	**2006**
	£000	*£000*	*£000*
Bank interest payable	266	196	111
Notional interest on player registrations	(148)	604	—
	118	800	111

4. ANALYSIS OF PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is stated after (crediting) and charging the following:

	Group		
	2008	**2007**	**2006**
	£000	*£000*	*£000*
Other operating income — release of capital grants	(57)	(57)	(57)
Staff costs *(note 5)*	26,624	20,922	26,797
Depreciation of property, plant and equipment	568	543	555
Amortisation of intangible assets	13,975	8,170	10,084
Profit on disposal of property, plant and equipment	—	(2)	—
Profit on sale of players' registrations	(5,530)	(7,769)	(7,063)
Operating leases — property	84	84	84
— other	138	140	122

Auditors' remuneration:

	2008	**2007**	**2006**
	£000	*£000*	*£000*
Group			
Audit of consolidated financial statements and parent company	13	9	9
Fees receivable by the auditors and their associates in respect of other services:	14	16	15
Other fees relating to taxation	31	5	2
	58	30	26
Fees paid to Auditors:			
Edwards	19	21	20
Grant Thornton UK LLP	39	9	6
	58	30	26

5. STAFF COSTS

	Group		
	2008	**2007**	**2006**
	£000	*£000*	*£000*
Wages, salaries and signing on fees	23,956	18,831	24,478
Social security costs	2,668	2,091	2,319
	26,624	20,922	26,797

The average monthly number of persons employed by the group, including directors:

	Group		
	2008	**2007**	**2006**
	No.	*No.*	*No.*
Playing staff	48	47	59
Training staff	22	20	18
Training ground staff	18	18	17
Commercial and fund raising	24	21	21
Shop	8	9	10
Administration and other	26	24	25
	146	139	150

In addition, the group also employs approximately 398 temporary staff on match days during the year ended 31 August 2008 (2007: 363 and 2006: 376), the cost of which is included in the staff costs above. The company has no employees or staff costs.

Directors' remuneration

	Group		
	2008	**2007**	**2006**
	£000	*£000*	*£000*
Aggregate directors' emoluments	973	1,361	536
Highest paid director	346	485	184

The group has not made any contributions to directors' personal pension arrangements in the year ended 31 August 2008 (2007 and 2006: £nil).

During the year ended 31 August 2008, the aggregate directors' emoluments include £22,000 (2007: £52,000 and 2006: £nil) paid to Sport Newspapers Limited for Roger Bannister, £265,000 (2007: £485,000 and 2006: £140,000) paid to Roldvale Limited for David Sullivan, and £265,000 (2007: £485,000 and 2006: £140,000) paid to Gold Group International Limited in respect of David and Ralph Gold.

In addition to the emoluments, during the year ended 31 August 2007, 750,000 11 pence share options were exercised (2006: £nil). The gain recognised on the exercise of these share options was £nil as at 31 August 2008 (2007: £217,500 and 2006: £nil). No options have been exercised in the current year.

6. TAXATION

	Group		
	2008	**2007**	**2006**
	£000	*£000*	*£000*
Continuing operations			
Corporation tax charge/(credit) at 30% (2007 and 2006: 30%)	1,114	(911)	911
Deferred tax charge/(credit) *(note 18)*	586	(978)	(29)
Total tax charge/(credit)	1,700	(1,889)	882

The tax losses not utilised at 31 August 2008 amount to £nil (2007: £2,661,000 and 2006: £nil).

Factors affecting the tax charge/(credit) for the years:

	Group		
	2008	**2007**	**2006**
	£000	*£000*	*£000*
Tax reconciliation:			
Profit/(loss) on ordinary activities before taxation	4,296	(6,634)	2,633
Profit on ordinary activities multiplied by standard rate of 30% (2007 and 2006: 30%)	1,289	(1,990)	790
Expenses not deductible for tax purposes	398	20	18
Excess of capital allowances over depreciation	7	(26)	(47)
(Use)/creation of tax losses brought forward	(775)	798	(87)
Clawback of tax relief for amortisations of players with rollover relief	195	239	237
Deferred tax	586	(930)	(29)
Total tax charge/(credit)	1,700	(1,889)	882

Profits on sale of players' registrations are taxable.

Factors that may affect future tax charges

The group expects to continue to be able to claim capital allowances in excess of depreciation in future years.

7. EARNINGS PER SHARE

	Group			
	For the six months period ended 28 February	**For the year ended 31 August**		
	2009	**2008**	**2007**	**2006**
	£000	*£000*	*£000*	*£000*
	(Unaudited)			
The earnings per ordinary share have been calculated as follows:				
Profit/(loss) on ordinary activities after taxation	(2,791)	2,596	(4,745)	1,751
Basic and diluted	*No.*	*No.*	*No.*	*No.*
Weighted average number of ordinary shares in issue during the period/ year	81,505,000	81,505,000	80,849,520	80,755,000
(Deficit)/earnings per ordinary share	(3.42p)	3.19p	(5.87p)	2.17p

The weighted average numbers of shares in issue is the same for both the basic and diluted earnings per share.

8. INTANGIBLE ASSETS

Group	**Players' registrations** *£000*
Cost:	
At 1 September 2005	33,831
Additions	11,224
Disposals	(16,326)
At 31 August 2006	28,729
Additions	20,533
Disposals	(10,796)
IFRS adjustments	(311)
At 31 August 2007	38,155
Additions	12,145
Disposals	(16,837)
At 31 August 2008	33,463
Amortisation:	
At 1 September 2005	15,319
Charge for the year	10,084
Eliminated on disposals	(10,859)
At 31 August 2006	14,544
Charge for the year	8,170
Eliminated on disposals	(9,662)
IFRS adjustments	(103)
At 31 August 2007	12,949
Charge for the year	13,975
Eliminated on disposals	(10,931)
At 31 August 2008	15,993
Net book value:	
At 31 August 2008	17,470
At 31 August 2007	25,206
At 31 August 2006	14,185

The company has no intangible fixed assets.

9. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings £000	Long leasehold improvements £000	Fixtures and equipment £000	Motor vehicles £000	Total £000
Cost:					
At 1 September 2005	12,933	1,669	3,100	109	17,811
Additions	—	130	98	—	228
At 31 August 2006	12,933	1,799	3,198	109	18,039
Additions	47	828	177	110	1,162
Disposals	—	—	(19)	—	(19)
At 31 August 2007	12,980	2,627	3,356	219	19,182
Additions	—	42	192	107	341
Disposals	—	—	—	(48)	(48)
At 31 August 2008	12,980	2,669	3,548	278	19,475
Depreciation:					
At 1 September 2005	2,375	106	2,441	33	4,955
Charge for the year	259	33	241	22	555
At 31 August 2006	2,634	139	2,682	55	5,510
Disposals	—	—	(9)	—	(9)
Charge for the year	260	49	213	21	543
At 31 August 2007	2,894	188	2,886	76	6,044
Disposals	—	—	—	(28)	(28)
Charge for the year	259	53	208	48	568
At 31 August 2008	3,153	241	3,094	96	6,584
Net book value:					
At 31 August 2008	9,827	2,428	454	182	12,891
At 31 August 2007	10,086	2,439	470	143	13,138
At 31 August 2006	10,299	1,660	516	54	12,529

Company

The company has no property, plant and equipment.

10. INVESTMENT IN SUBSIDIARY UNDERTAKING

Company

The company owns 100% of the preference and ordinary share capital of Birmingham City Football Club plc, a company registered in England and Wales. Its principal activity of the company continued to be that of a Football Club. For the football season 2007/08 the club was promoted to the Premier League, but relegated to the Championship for the 2008/09 season.

	£000
Cost:	
As at 1 September 2005 and 31 August 2006, 2007 and 2008	3,518

11. INVENTORIES

	Group		
	2008	2007	2006
	£000	*£000*	*£000*
Goods for resale	612	555	360

The replacement cost of stocks would not be significantly different from the values stated.

12. TRADE AND OTHER RECEIVABLES

	Group			Company		
	2008	2007	2006	2008	2007	2006
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
		Restated				
Trade receivables	9,530	8,579	9,651	—	—	—
Other debtors	36	79	43	—	—	—
Corporation tax recoverable	29	22	—	—	—	—
Prepayments	2,092	3,395	713	—	—	—
Current assets	11,687	12,075	10,407	—	—	—
Non current assets						
Trade receivables	500	1,750	—	—	—	—
Amounts owed by group undertaking	—	—	—	14,731	14,731	14,648
	500	1,750	—	14,731	14,731	14,648

Included within trade receivables as at 31 August 2008 is £6,475,000 (2007: £6,775,000 and 2006: £6,611,000) in respect of transfer fees, of which £500,000 (2007: £1,750,000 and 2006: £2,300,000) is not due until after more than one year. The restatement for the year ended 31 August 2007 reflects prepayments of £2,629,000 in respect of signing on fees now accounted for on an accruals basis. See note 21 for further details.

Trade receivables are individually assessed based on estimated recoverable amounts.

Group

Ageing of past due but not impaired receivables, based on normal 30 day credit terms

	Group	
	2008	2007
	£000	*£000*
30 — 90 days	4,656	1,706
90 — 120 days	295	203
120 — 180 days	210	563
180 days+	3,046	4,669
> 1 year	500	1,750
Total	8,707	8,891

No aging analysis is performed for the balance as at 31 August 2006.

Movement in bad and doubtful debt provisions

	Group 2008	Group 2007
	£000	*£000*
Balance brought forward	229	170
Amounts written off	(38)	—
Amounts recovered	(67)	(2)
Amounts provided in year	325	61
Balance carried forward	449	229

No aging analysis is performed for the balance as at 31 August 2006.

The directors believe that there is no further provision required in excess of the allowance for doubtful debts. Included in the allowance for doubtful debts are individually impaired receivables. The ageing of impaired trade receivables:

	Group 2008	Group 2007
	£000	*£000*
0 — 90 days	14	45
90 — 120 days	5	24
120 — 180 days	24	40
180 days+	406	120
	449	229

No aging analysis is performed for the balance as at 31 August 2006.

The directors consider the carrying amount of trade and other receivables approximates to their fair value.

Company

The company has no trade receivables.

13. TRADE AND OTHER PAYABLES

	Group			Company		
	2008	**2007**	**2006**	**2008**	**2007**	**2006**
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
		Restated				
Current liabilities						
Trade payables	8,753	14,177	7,719	—	—	—
Taxation and social security	3,479	3,567	3,013	—	—	—
Other creditors	61	156	5	—	—	—
Accruals	1,064	2,159	797	—	—	—
Total current liabilities	13,357	20,059	11,534	—	—	—
Non-current liabilities						
Trade payables	3,056	2,678	—	—	—	—

Included within trade payables as at 31 August 2008 is £8,595,000 (2007: £9,611,000 and 2006: £5,471,000) in respect of transfer fees payable of which £3,056,000 (2007: £2,678,000) is not due until after more than one year. The restatement reflects an accrual of £1,728,000 in respect of signing on fees now accounted for on an accruals basis. See note 21 for further details.

14. PREFERENCE SHARES

Group and Company due after five years:

	2008		2007		2006	
	No. '000	*£000*	*No. '000*	*£000*	*No. '000*	*£000*
Authorised						
4.2% redeemable cumulative preference shares of 50p each	40	20	40	20	40	20
Allotted, called up and fully paid						
4.2% redeemable cumulative preference shares of 50p each	37	18	37	18	37	18

The preference shares are shown as debt rather than equity. The company may redeem cumulative preference shares at par at any time upon giving not less than three months previous notice in writing to the holders of the cumulative preference shares. On an earlier winding up, the cumulative preference shares carry priority over the ordinary shares to the extent of their par value plus any arrears of dividends (which are cumulative for a period of three years). The preference shares carry no votes except on a winding up or on variations of their rights.

15. INTEREST BEARING LOANS AND BORROWINGS

	Group			Company		
	2008	**2007**	**2006**	**2008**	**2007**	**2006**
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Bank overdraft	819	—	41	—	—	—
Bank loans	976	1,086	331	—	—	—
Preference share capital	18	18	18	18	18	18
Derivative instrument (interest rate swap) see note 19	8	8	—	—	—	—
	1,821	1,112	390	18	18	18
Borrowings maturity:						
Within one year	942	113	90	—	—	—
More than one year but not more than two years	125	115	53	—	—	—
More than two years but not more than five years	334	395	182	—	—	—
After five years	420	489	65	18	18	18
Total borrowings	1,821	1,112	390	18	18	18

The group has the following undrawn committed borrowing facilities:

	Group			Company		
	2008	**2007**	**2006**	**2008**	**2007**	**2006**
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Undrawn committed borrowings	6,181	5,000	4,960	—	—	—

The bank overdraft and loan is secured on the land and buildings of the group. The group has an overdraft facility of £7m for the year ended 31 August 2008 (2007 and 2006: £5m) which is due for renewal on 31 August 2009.

Included within bank loans is £401,000 (2007: £471,000 and 2006: £47,000) due after more than five years repayable in equal instalments as at 31 August 2008.

16. DEFERRED CAPITAL GRANT

Included within creditors is £2,079,000 (2007: £2,136,000 and 2006: £2,193,000) relating to a deferred capital grant as at 31 August 2008.

The grant is in respect of the substantial redevelopment of the stadium. The grant has been treated as a deferred capital grant and is being amortised in line with the depreciable assets to which it relates.

17. PROVISIONS

	Group			Company		
	2008	**2007**	**2006**	**2008**	**2007**	**2006**
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Refurbishment of main stand	1,327	—	—	—	—	—
VAT liability on agents fees	827	—	—	—	—	—
	2,154	—	—	—	—	—

The provision of £1,327,000 has been made at 31 August 2008 in respect of the refurbishment work planned and required for the main stand expected to start in March 2009.

HM Revenue & Customs issued assessments for repayment of £576,000 (2007: £576,000) of input VAT previously recovered, which relates to payments made under the contractual arrangements between the group and certain football agents. An estimate of the potential maximum liability to 31 August 2008 is £827,000 (2007: unprovided and disclosed as a contingent liability of £820,000). A VAT tribunal decision published in May 2007 found some individual cases in favour of the group and some against. The group considers the VAT concerned has been properly recovered and, accordingly, an appeal has been lodged against the tribunal decision. The group still firmly believe that they have a strong case following the recent outcome of the Redrow case, but have decided to make a prudent provision within these accounts. The group awaits the outcome of the appeal.

18. DEFERRED TAXATION

	Group			Company		
	2008	**2007**	**2006**	**2008**	**2007**	**2006**
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
At 1 September	789	(189)	(39)	—	—	—
Amount (charged)/credited to income statement *(note 6)*	(586)	978	29	—	—	—
At 31 August	203	789	(10)	—	—	—

	Group			Company		
	2008	**2007**	**2006**	**2008**	**2007**	**2006**
Provided	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Deferred taxation comprises:						
Excess of depreciation over capital allowances	203	253	430	—	—	—
Roll-over relief for intangible assets	—	(187)	(440)	—	—	—
Losses	—	723	—	—	—	—
Deferred tax asset/(liability)	203	789	(10)	—	—	—

19. FINANCIAL INSTRUMENTS

Capital risk management

The group manages its capital to ensure that the group will be able to continue as a going concern through the optimisation of the debt and equity balance. The capital structure of the group consists of debt, which includes the borrowings disclosed in note 15, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in notes 20 and 21.

The group's audit committee reviews the capital structure as part of its risk analysis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

The group is not subject to externally imposed capital requirements, other than the minimum capital requirements and duties regarding reduction of capital, as imposed by the Companies Act 1985 on all public limited companies.

Categories of financial instruments

	Group			Company		
	2008	**2007**	**2006**	**2008**	**2007**	**2006**
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Financial assets						
Loans and receivables:						
— Cash and cash equivalents	4,235	3,905	4,308	—	—	—
— Trade and other receivables	10,066	10,408	9,694	14,731	14,731	14,648
	14,301	14,313	14,002	14,731	14,731	14,648
Financial liabilities						
Trade and other payables-held at amortised cost	15,349	20,579	10,737	—	—	—
Borrowings at amortised cost — see note 15	1,821	1,112	390	—	—	—
	17,170	21,691	11,127	—	—	—

Except for derivative instruments, the fair value of the financial instruments set out above is not materially different to the book value. The above financial assets and financial liabilities do not include prepayments or accruals respectively.

Financial risk management objectives

Management monitor and manage the financial risks relating to the operations of the group through internal risk reports. These risks include currency risk, interest rate risk, credit risk, liquidity risk and cash flow interest rate risk.

Where the group considers the impact arising from one or more of these risks to be potentially material to the group's financial position, derivative financial instruments are used to reduce risk exposure. The use of financial derivatives requires the prior approval of the Board. The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. Whilst the group entered into an interest rate hedging arrangement in 2006 to mitigate the risk of significant movements in interest rates, it does not apply hedge accounting.

Price risk

The group has no significant exposure to securities price risk, as it holds no listed equity investments.

Foreign currency risk

The group has no significant exposure in its trading subsidiary to the risk of changes in foreign currency exchange rates.

Credit risk

The group's principal financial assets are bank balances, cash, and trade receivables. The group's credit risk is primarily attributable to its trade receivables. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the group's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

The group's policy has been to ensure continuity of funding through operating within its overdraft facility and to match borrowing against the useful life of assets purchased.

The group's financial liabilities have contractual maturities summarised below:

		Non current	
	Current year	**1 to 5 years**	**Over 5 years**
	£000	*£000*	*£000*
Preference shares	—	—	18
Bank overdraft and loans	934	467	402
Trade and other payables	12,293	3,056	—
At 31 August 2008	13,227	3,523	420

		Non current	
	Current year	**1 to 5 years**	**Over 5 years**
	£000	*£000*	*£000*
Preference shares	—	—	18
Bank overdraft and loans	105	518	471
Trade and other payables	17,901	2,678	—
At 31 August 2007	18,006	3,196	489

		Non current	
	Current year	**1 to 5 years**	**Over 5 years**
	£000	*£000*	*£000*
Preference shares	—	—	18
Bank overdraft and loans	90	235	47
Trade and other payables	10,737	—	—
At 31 August 2006	10,827	235	65

The bank overdraft bears interest at the bank base rate of HSBC plc plus 1.75%.

The bank loans bear interest at the bank base rate of HSBC plc plus 1.5%. The two term loans are repayable by way of equal monthly amounts until July 2012 and April 2017.

The group's exposure to derivative financial instruments is limited to an interest rate swap for a fixed term that matches the duration of one of the group's term debt facilities. This derivative financial instrument expires on 14 March 2012. £8,000 has been recognised in the income statement in respect of the interest rate swap and is included in bank loans in the balance sheet.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the group's profit for the year ended 31 August 2008 would decrease/increase by £4,000 (2007: decrease/increase by £3,000). This is mainly attributable to the group's exposure to interest rates on its variable rate borrowings.

Interest rate swap contract

Under interest rate swap contracts, the group agrees to exchange the difference between the fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the yield curves at the reporting date and the credit risk inherent in the contract. The average interest rate is based on the outstanding balances at the end of the financial year.

20. SHARE CAPITAL

		Group			Company	
	2008	**2007**	**2006**	**2008**	**2007**	**2006**
Authorised						
Ordinary shares of 10p each						
No. in thousands	120,000	120,000	120,000	120,000	120,000	120,000
£000	12,000	12,000	12,000	12,000	12,000	12,000
Allotted, called up and fully paid						
Ordinary shares of 10p each						
No. in thousands	81,505	81,505	80,755	81,505	81,505	80,755
£000	8,150	8,150	8,075	8,150	8,150	8,075

No options were outstanding at either 31 August 2008, 2007 and 2006. All share options were exercised during the year ended 31 August 2007.

21. STATEMENT OF CHANGES IN EQUITY

	Share Capital and Share Premium *£000*	**Revaluation reserve** *£000*	**Merger reserve** *£000*	**Profit and loss account** *£000*	**Total equity** *£000*
Group					
At 1 September 2006	18,148	313	(2,539)	(2,646)	13,276
Prior year adjustment	—	—	—	430	430
Revised 1 September 2006	18,148	313	(2,539)	(2,216)	13,706
Loss for the year	—	—	—	(4,745)	(4,745)
Issue of shares	83	—	—	—	83
At 31 August 2007	18,231	313	(2,539)	(6,961)	9,044
Profit for the year	—	—	—	2,596	2,596
At 31 August 2008	18,231	313	(2,539)	(4,365)	11,640

Prior year adjustment

Signing on fees were originally charged to the Income Statement on a cash paid basis. A change in accounting policy results in signing on fees being accounted for on a straight-line basis over the period of the players' contracts and are now recognised on an accruals basis. At 31 August 2007, signing on fees results in the recognition of a prepayment of £2,629,000 (1 September 2006: £1,056,000) and accruals of £1,729,000 (1 September 2006: £443,000). A tax liability has been provided in respect of the signing on fees of £269,000 at 31 August 2007 (1 September 2006: £183,000).

The impact on the Income Statement for the year ended 31 August 2007 is an increase in profit after tax of £201,000 (£287,000 in operating expenses less £86,000 taxation). The impact on the Retained earnings for the year ended 31 August 2006 is an increase in profit of £430,000 after tax of £183,000.

	2007	**2006**
	£000	*£000*
Prepayments	2,629	1,056
Accruals	(1,729)	(443)
Net impact	900	613
Less taxation	(269)	(183)
Cumulative prior year adjustment	631	430

	Share Capital and Share Premium	**Revaluation reserve**	**Merger reserve**	**Profit and loss account**	**Total equity**
	£000	*£000*	*£000*	*£000*	*£000*
Company					
At 1 September 2006	18,148	—	—	—	18,148
Issue of shares	83	—	—	—	83
At 31 August 2007 and 2008	18,231	—	—	—	18,231

22. RELATED PARTY TRANSACTIONS

Group

During the year ended 31 August 2008, goods and services to the value of £nil (2007: £556 and 2006: £981) have been supplied by the Club to Gold Group International Limited which is owned by D Gold (director). At the balance sheet date £nil was due from Gold Group International Limited to the group.

Henri Brandman & Co (Henri Brandman — Director of Birmingham City Football Club plc) acted as Solicitors on behalf of the Club during the year ended 31 August 2008 with fees amounting to £62,500 (2007: £46,750 and 2006: £31,500). As at 31 August 2008, £nil was due from the group to Henri Brandman & Co.

During the year ended 31 August 2008, goods and services to the value of £43,272 (2007 and 2006: £nil) have been supplied by the Club to Grandtop International Holdings Limited of which C Yeung (minority shareholder) is a director. As at 31 August 2008, £29,125 was due from Grandtop International Holdings Limited to the company.

During the year ended 31 August 2008, goods and series to the value of £nil (2007: Nil and 2006: £3,360) have been supplied by the Club to Nettcollex Limited in which D Sullivan (director) has an interest. As at 31 August 2008, £nil was due from Nettcollex Limited to the group.

Company

There were no related party transactions with the company.

23. CONTINGENT LIABILITIES AND POST BALANCE SHEET EVENTS

(a) Player Transfer Costs

Under the terms of certain contracts with other football clubs in respect of 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 transfers to 31 August 2008 is £2,475,000 (2007: £5,454,000 and 2006: £5,771,000). Since the year end and to the approval of these accounts £Nil of this has crystallised.

(b) Image Rights Payable

The maximum possible commitments in respect of image rights contracts at the year end, contingent on whether the players remain contracted with the Club, amounted to £786,000 (2007: £1,429,000 and 2006: £3,280,000). The amounts are payable on future dates specified in their contracts and are not provided for in the accounts.

24. CAPITAL AND OTHER FINANCIAL COMMITMENTS

(a) Capital commitments

	Group		
	2008	**2007**	**2006**
	£000	*£000*	*£000*
Contracted but not provided for:			
Leasehold land and buildings	—	70	706
Fixtures and equipment	27	—	—

The company has no capital commitments.

(b) Lease commitments

The group and company had commitments under operating leases for plant and equipment and leasehold land at the training ground. The total future minimum lease payments are as follows:

	Land & buildings			**Other**		
	2008	**2007**	**2006**	**2008**	**2007**	**2006**
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Expiring:						
Within one year	84	84	97	118	130	—
Between two and five years	336	336	45	48	129	—
Over five years	7,056	7,140	84	—	—	—
	7,476	7,560	226	166	259	—

25. NOTES TO THE CASH FLOW STATEMENT

	Group			Company		
	2008	**2007**	**2006**	**2008**	**2007**	**2006**
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Cash flows from operating						
Profit/(loss) after taxation	2,596	(4,745)	1,751	—	—	—
Amortisation of intangible assets	13,975	8,170	10,084	—	—	—
Profit on sale of players registrations	(5,530)	(7,769)	(7,063)			—
Profit on disposal of property, plant and equipment	—	(2)	—	—	—	—
Depreciation on property, plant and equipment	568	543	555	—	—	—
Finance cost	118	800	111	—	—	—
Finance income	(30)	(62)	(39)	—	—	—
Taxation	1,700	(1,889)	882	—	—	—
Amortisation of deferred grant	(57)	(57)	(57)	—	—	—
Increase in inventories	(57)	(195)	(166)	—	—	—
Decrease/(increase) in receivables	1,645	(2,362)	6,159	—	—	—
(Decrease)/increase in trade and other payables, deferred income and provisions	(13,467)	15,869	(8,438)	—	—	—
Cash flow from operations	1,461	8,301	3,779	—	—	—
						—
Interest paid	(266)	(196)	(111)	—	—	—
Interest received	30	62	39	—	—	—
Tax paid	(7)	—	—	—	—	—
						—
Net cash flow from operations	1,218	8,167	3,707	—	—	—

26. EXPLANATION OF TRANSITION TO IFRS

As stated in the accounting policies, these are the group's first consolidated financial statements prepared in accordance with IFRS. There are no adjustments for the parent company or the consolidated cash flow statement between IFRS and UK GAAP. All comparative information presented in these consolidated financial statements have been restated to IFRS. In preparing the opening balance sheet at 1 September 2007, an explanation of the IFRS adjustments is given in the tables below:

Consolidated Income Statement for the year ended 31 August 2007

	Notes	**UK GAAP** *£000*	**UK GAAP Prior year adjustments** *£000*	**IFRS adjustments** *£000*	**IFRS** *£000*
Continuing operations					
Revenue		25,039	—	—	25,039
Operating expenses	*b, c*	(30,821)	287	—	(30,534)
Profit from operations before player amortisation and trading		(5,782)	287	—	(5,495)
Player amortisation and trading	*a*	(8,371)	—	201	(8,170)
Profit on sale of players registrations		7,769	—	—	7,769
Loss from operations		(6,384)	287	201	(5,896)
Finance income		62	—	—	62
Finance cost	*a*	(196)	—	(604)	(800)
Loss before taxation		(6,518)	287	(403)	(6,634)
Taxation	*d*	1,794	(86)	181	1,889
Loss attributable to equity shareholders		(4,724)	201	(222)	(4,745)

Consolidated Opening Balance Sheet at 31 August 2006

	Notes	UK GAAP £000	UK GAAP Prior year adjustments £000	IFRS adjustments £000	IFRS £000
ASSETS					
Non-current assets					
Intangible fixed assets	*a*	14,185	—	(208)	13,977
Property, plant and equipment		12,529	—	—	12,529
		26,714	—	(208)	26,506
Current assets					
Inventories		360	—	—	360
Trade and other receivables	*b*	10,407	1,056	—	11,463
Cash and cash equivalents		4,308	—	—	4,308
		15,075	1,056	—	16,131
Total assets		41,789	1,056	(208)	42,637
Liabilities					
Non-current liabilities					
Preference shares		18	—	—	18
Interest bearing loans and borrowings		282	—	—	282
Deferred income		2,514	—	—	2,514
Capital grants (deferred income)		2,136	—	—	2,136
Deferred tax	*d*	10	183	(4)	189
		4,960	183	(4)	5,139
Current liabilities					
Interest bearing loans, overdrafts and borrowings	*e*	90	—	8	98
Trade and other payables	*b, c*	12,423	443	—	12,866
Deferred income		10,771	—	—	10,771
Capital Grant (deferred income)		57	—	—	57
		23,341	443	8	23,792
Total liabilities		28,301	626	4	28,931
Net assets		13,488	430	(212)	13,706
Capital and reserves					
Issued capital and reserves		15,922	—	—	15,922
Retained earnings		(2,434)	430	(212)	(2,216)
Total equity		13,488	430	(212)	13,706

Consolidated Balance Sheet at 31 August 2007

	Notes	UK GAAP £000	UK GAAP Prior year adjustments £000	IFRS adjustments £000	IFRS £000
ASSETS					
Non-current assets					
Intangible fixed assets	*a*	25,817	—	(611)	25,206
Property, plant and equipment		13,138	—	—	13,138
Deferred tax asset	*d*	873	(269)	185	789
Trade and other receivables		—	—	1,750	1,750
		39,828	(269)	1,324	40,883
Current assets					
Inventories		555	—	—	555
Trade and other receivables	*b*	11,196	2,629	(1,750)	12,075
Cash and cash equivalents		3,905	—	—	3,905
		15,656	2,629	(1,750)	16,535
Total assets		55,484	2,360	(426)	57,418
Liabilities					
Non-current liabilities					
Preference shares		18	—	—	18
Interest bearing loans and borrowings		981	—	—	981
Deferred income		1,233	—	—	1,233
Capital grants (deferred income)		2,079	—	—	2,079
Trade payables		—	—	2,678	2,678
		4,311	—	2,678	6,989
Current liabilities					
Interest bearing loans, overdrafts and borrowings	*e*	105	—	8	113
Trade and other payables	*b, c*	21,008	1,729	(2,678)	20,059
Deferred income		21,156	—	—	21,156
Capital Grant (deferred income)		57	—	—	57
		42,326	1,729	(2,670)	41,385
Total liabilities		46,637	1,729	8	48,374
Net assets		8,847	631	(434)	9,044
Capital and reserves					
Issued capital and reserves		16,005	—	—	16,005
Retained earnings		(7,158)	631	(434)	(6,961)
Equity shareholders' funds		8,847	631	(434)	9,044

(a) Intangible fixed assets

Under IAS 38 "Intangible Assets", players acquired on deferred terms are recorded at their fair value at the date of acquisition. The related creditor is then increased to the settlement value at an effective interest rate over the period of the deferral, with this value being charged as notional interest within finance costs in the Income Statement. The interest charged for the year ended 31 August 2007 was £604,000. The corresponding player registration value in intangible fixed assets is also reduced by the notional interest amount. The cumulative notional interest charged from the transition date of 1 September 2006 to the year ended 31 August 2007 is £915,000.

An adjustment has also been made to reflect the respective adjustment to the amount of amortisation charged on the intangible fixed asset as a result of the above adjustment. This results in a reduction in amortisation charged in the year ended 31 August 2007 of £201,000. The cumulative amortisation since date of transition 1 September 2006 to the year ended 31 August 2007 is £304,000, which gives a net adjustment of £611,000 reduction in the intangible asset.

(b) Signing on fees (UK GAAP prior year adjustment)

Signing on fees were charged to the Income Statement on a cash paid basis. A change in accounting policy has meant that signing on fees are now accounted for on a straight-line basis over the period of the players' contracts and are now recognised on an accruals basis. This is disclosed as a UK GAAP prior year adjustment in note 21 of these financial statements.

(c) Holiday pay

In accordance with IAS 19, an accrual has been recognised for holiday pay of £8,000 at 31 August 2007 which is reflected in the reduction in profit in operating expenses.

(d) Deferred taxation

Taxation has been adjusted in respect of deferred tax on the signing on fees, holiday pay accrual and the notional interest cost adjustments stated above.

Deferred tax of £88,000 has been provided on the revaluation reserve of £313,000 in respect of the stadium.

(e) Interest rate swap

A provision of £8,000 has been made in respect of the fair value attributable of the interest rate swap on the variable rate loan taken out on 17 August 2006 (1 September 2006: £8,000).

(f) Non current assets held for sale

Under IFRS 5 "Non current assets held for sale" if at any time, it is considered that the carrying amount of an asset (including players registrations) will be recovered principally through sale rather than continuing use, then the value of the asset is classified as an asset held for sale. The asset will be disclosed as current assets at its lower of cost or net realisable value. At such time of the reclassification, no further amortisation will be charged to the Income Statement, unless there is an indication of impairment. At each date of the balance sheet, the directors do not consider any assets were held for sale and therefore no reclassification has been made to current assets.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 June 2002 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 22 October 2002 and were subsequently amended at the annual general meetings of the Company held on 3 September 2007 and 9 September 2009. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles and any special rights conferred on the holders of any shares or class of shares, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether byway of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established provided that such director shall disclose the nature of his interest in accordance with the Articles. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(a) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(b) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(c) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(d) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(e) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company or in which the Director and any of his associates are not beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

(f) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that the chairman of the board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. The Directors to retire in every year will be those who wishes to retire and not to offer himself for re-election and those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy or as an addition to the existing board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by special resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. The Company in general meeting may by ordinary resolution increase or reduce the number of Directors but so that the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

(a) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(b) becomes of unsound mind or dies;

(c) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(d) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(e) if he is prohibited from being a director by law; or

(f) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the

Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled, or in the case of shares, without par value diminish the number of shares into which its capital is divided.

The Company may subject to the provisions of the Companies Law reduce its share capital or any share premium account or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) from time to time (whether the Company is being wound up) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him and any holder of share of the class present in person or by proxy or authorised representative may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance of which not less than fourteen (14) clear days' notice has been given.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a show of hands every member present in person (or being a corporation, is present by a representative duly authorised) or by proxy shall have one vote and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. A member entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same right and powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of the Company's incorporation (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or not more than eighteen (18) months after the date of incorporation, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all the members of the Company entitled to attend and vote thereat; and

(b) in the case of any other meeting, by a majority in number of the members having the right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(a) the declaration and sanctioning of dividends;

(b) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors and other documents required to be annexed to the balance sheet;

(c) the election of directors whether by rotation or otherwise in place of those retiring;

(d) the appointment of auditors and other officers;

(e) the fixing of the remuneration of the directors and of the auditors;

(f) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(g) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of nonpayment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 27 April 2004.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (pari passu if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).