
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Birmingham International Holdings Limited (Receivers Appointed) (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.



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

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

- (1) STATUS OF RESUMPTION PROPOSAL;
 - (2) PROPOSED CAPITAL REORGANISATION
AND CHANGE IN BOARD LOT SIZE;
 - (3) PROPOSED OPEN OFFER OF OFFER SHARES ON THE BASIS OF
ONE OFFER SHARE FOR EVERY TWO NEW SHARES HELD ON
THE OPEN OFFER RECORD DATE;
 - (4) PROPOSED SUBSCRIPTION OF SUBSCRIPTION SHARES
UNDER SPECIFIC MANDATE;
 - (5) PROPOSED SUBSCRIPTION OF CONVERTIBLE NOTES
UNDER SPECIFIC MANDATE;
 - (6) APPLICATION FOR WHITEWASH WAIVER;
 - (7) SPECIAL DEALS AND/OR CONNECTED TRANSACTIONS
IN RELATION TO THE SETTLEMENT AGREEMENTS;
- AND
- (8) NOTICE OF EGM

Financial adviser to the Company



高銀融資有限公司
GOLDIN FINANCIAL LIMITED

Independent Financial Adviser to the Independent Board Committee
and to the Independent Shareholders



TC CAPITAL

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 20 to 88 of this circular. A letter from the Independent Board Committee is set out on pages 89 to 90 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 91 to 138 of this circular.

A notice convening the EGM to be held at Taichi Room, Unit 3810, 38/F China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Monday, 29 August 2016 at 11:00 a.m. is set out on pages EGM-1 to EGM-8 of this circular.

Whether or not you are able to attend the meeting in person, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

5 August 2016

CITY CODE ON TAKEOVERS AND MERGERS OF THE UNITED KINGDOM

Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the section headed “Definitions” of this circular.

Requirement to make a mandatory offer to ordinary shareholders of BCP (other than the Company) under Rule 9 of the UK City Code on Takeovers and Mergers

As a public limited liability company incorporated in England and Wales, the Company’s non-wholly owned subsidiary, BCP, is subject to the provisions of the City Code on Takeovers and Mergers of the United Kingdom (the “**UK Takeover Code**”).

On 21 August 2009, the Company announced an all cash offer for the entire issued and to be issued ordinary share capital of BCP (other than those shares of BCP already owned by the Company) (the “**BCP Takeover Offer**”). The Company announced on 6 October 2009 that all the conditions to the BCP Takeover Offer had been met and declared the offer unconditional in all respects, reminding holders of ordinary shares of BCP that because the level of acceptances had passed 90% of the ordinary shares of BCP to which the BCP Takeover Offer related, the Company intended, as soon as practicable, to exercise its rights pursuant to sections 979 to 982 (inclusive) of the Companies Act 2006 (of England and Wales) to acquire compulsorily all of the remaining ordinary shares of BCP.

Following the announcement on 6 October 2009, the Company did not exercise its right to acquire compulsorily all of the remaining ordinary shares of BCP. It is understood that this right was not exercised out of respect for those fans of Birmingham City Football Club and shareholders of BCP who wished to retain their status as shareholders in BCP.

Consequently, as at the Latest Practicable Date, a group of approximately 3,164 minority shareholders hold in aggregate approximately 2,735,799 ordinary shares in BCP, representing approximately 3.36% of the total issued ordinary share capital of BCP (the “**BCP Minority Shareholders**”). The Company approximately holds the remaining 78,769,201 ordinary shares in BCP, representing approximately 96.64% of the total issued ordinary share capital of BCP.

As the Investor will acquire over 50% of the voting rights in the Company upon completion of the Proposed Restructuring (effectively resulting in a change of control of BCP’s parent company), subject to and upon completion of the Proposed Restructuring, the Investor will be obliged to make a mandatory offer under Rule 9 of the UK Takeover Code for those ordinary shares in BCP held by the BCP Minority Shareholders by virtue of the chain principle set out in Note 8 on Rule 9.1 of the UK Takeover Code. As such, at this stage, such mandatory offer is only a possible offer. If required to be made, such mandatory offer would be at a price in cash determined on a “look through” basis by reference to

CITY CODE ON TAKEOVERS AND MERGERS OF THE UNITED KINGDOM

the Subscription Price, which at this preliminary stage as at the Latest Practicable Date, has not been determined. In the event of completion of the Proposed Restructuring and upon the Investor acquiring over 50% of the voting rights in the Company, an appropriate announcement will be made regarding the terms of the mandatory offer and the timing of despatch of the offer document to BCP Minority Shareholders, both of which will be subject to the approval of the Panel on Takeovers and Mergers of the United Kingdom (the “**UK Takeover Panel**”). The timetable for the mandatory offer, if required to be made, will be governed by the provisions of the UK Takeover Code.

This statement is not an announcement of a firm intention to make an offer under Rule 2.7 of the UK Takeover Code and there can be no certainty that the Proposed Restructuring will be completed and the aforementioned mandatory offer be made.

From the date of this circular BCP is now considered to be in an “offer period” as defined in the UK Takeover Code, and the dealing disclosure requirements listed below will apply.

Rule 2.10 disclosure

As at the Latest Practicable Date, BCP has confirmed to the Investor that BCP has a total of 81,505,000 ordinary shares of GBP0.10 each in the capital of BCP in issue (the “**BCP Ordinary Shares**”). BCP also has a separate class of redeemable cumulative preference shares of 50 pence each in the capital of BCP (“**BCP Preference Shares**”). The entire issued preference share capital of BCP comprises 37,000 BCP Preference Shares, held by approximately 18 separate holders. As the BCP Preference Shares carry no voting rights and are not convertible into ordinary shares of BCP, no offer was made to acquire these BCP Preference Shares at the time of the BCP Takeover Offer. Neither the BCP Ordinary Shares nor the BCP Preference Shares are listed on any stock exchange.

Dealing disclosure requirements of the UK Takeover Code

Under Rule 8.3(a) of the UK Takeover Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person’s interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3:30 p.m. (London time) on the

CITY CODE ON TAKEOVERS AND MERGERS OF THE UNITED KINGDOM

10th business day following the commencement of the offer period and, if appropriate, by no later than 3:30 p.m. (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the UK Takeover Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3:30 p.m. (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the UK Takeover Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the UK Takeover Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
EXPECTED TIMETABLE	16
LETTER FROM THE BOARD	20
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	89
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	91
APPENDIX I — FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP	II-1
APPENDIX III — RESULTS FORECAST FOR THE YEAR ENDING 30 JUNE 2017 AND THE SIX MONTHS ENDING 31 DECEMBER 2017 AND COMFORT LETTERS	III-1
APPENDIX IV — GENERAL INFORMATION	IV-1
NOTICE OF EGM	EGM-1
ACCOMPANYING DOCUMENT: FORM OF PROXY	

DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Amazing Top”	Amazing Top International Enterprise Limited, a company incorporated in the British Virgin Islands which is wholly owned by Mr. Pannu
“Amendment Letter”	the amendment letter dated 31 May 2016 entered into among the Company, BCFC and the Investor in relation to the amendments to certain terms of the Loan Facility Agreement
“Announcement”	the announcement of the Company dated 6 June 2016 in relation to, among others, the Proposed Restructuring
“Application Form(s)”	the form(s) of application for the assured allotments of the Offer Shares in respect of the Open Offer to be issued to the Qualifying Shareholder(s)
“Asia Rays”	Asia Rays Limited (光瑋有限公司), a company incorporated in Hong Kong and wholly owned by Mr. Pannu
“associates”	has the meaning ascribed to it in the Listing Rules
“Associates”	the associates, subsidiaries, affiliates, officers, directors, employees, agents and advisers in relation to the parties to the respective Settlement Agreements
“Authorised Share Capital Cancellation”	the proposed cancellation of the authorised but unissued share capital of the Company in its entirety immediately upon the Capital Reduction becoming effective
“Authorised Share Capital Increase”	the proposed increase of the authorised share capital of the Company to HK\$500,000,000 immediately following the Share Premium Cancellation and the Authorised Share Capital Cancellation becoming effective

DEFINITIONS

“BCFC”	Birmingham City Football Club PLC, a public limited company incorporated under the laws of England and Wales, which is principally engaged in football club operation and wholly owned by BCP
“BCLFC”	Birmingham City Ladies Football Club Limited, a company limited by shares which is incorporated under the laws of England and Wales and wholly owned by Mr. Pannu
“BCP”	Birmingham City PLC, of which 96.64% of the ordinary shares of GBP0.10 each are directly held by the Company, is a company which wholly owns BCFC
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Capital Reduction”	the proposed reduction in the nominal value of each of the Consolidated Shares in the issued share capital of the Company from HK\$0.20 per Consolidated Share to HK\$0.01 per New Share by cancelling HK\$0.19 of the capital paid up on each issued Consolidated Share upon the Share Consolidation becoming effective
“Capital Reorganisation”	the proposed restructuring of the capital of the Company comprising, inter alia, the Share Consolidation, the Capital Reduction, the Share Premium Cancellation, the Authorised Share Capital Cancellation and the Authorised Share Capital Increase
“Cayman Companies Law”	the Companies Law (2013 Revision) of the Cayman Islands, as amended from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China Strategic”	China Strategic Holdings Limited (stock code: 235), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange

DEFINITIONS

“Companies Ordinance”	the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)
“Company”	Birmingham International Holdings Limited (Receivers Appointed), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Concert Group”	the Investor and its parties acting in concert
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$0.20 each in the issued and unissued share capital of the Company upon the Share Consolidation becoming effective
“Conversion Price”	the conversion price of HK\$0.08 per New Conversion Share (subject to adjustment)
“CY Conversion Share(s)”	the New Share(s) to be allotted and issued by the Company to Mr. Yeung upon exercise of the conversion rights attaching to the outstanding CY Convertible Notes by Mr. Yeung
“CY Convertible Notes”	the zero interest unsecured convertible notes issued by the Company to Mr. Yeung pursuant to the terms of the Yeung Agreement in the principal amount of HK\$193,500,000
“CY Settlement Agreement”	the deed of settlement dated 8 March 2016 entered into between the Company, BCFC, Mr. Yeung and RY as announced by the Company on 14 March 2016
“CYCN Maturity Date Extension”	the extension of the maturity date of the remaining unconverted CY Convertible Notes (with all other terms and conditions of the remaining unconverted CY Convertible Notes remaining unchanged) from 4 February 2016 to 31 December 2016 or to such other date as the parties to the CY Settlement Agreement may agree in writing
“Debt”	the debt owed to Mr. Yeung by the Company in the amount of HK\$9,028,399.06

DEFINITIONS

“Debt Capitalisation Agreement”	the debt capitalisation agreement dated 20 December 2013 entered into between the Company and Mr. Yeung in relation to the capitalisation of a debt of HK\$193,500,000 owed by the Company to Mr. Yeung
“Debt Undertaking”	the undertaking dated 14 April 2016 given by the Investor pursuant to which the Investor will pay the Debt for the Company in full (subject to the CY Settlement Agreement being effective) so that the Company would not be liable to pay out of its own pocket if the repayment of the Debt is demanded
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the purposes of considering, if thought fit, approving the resolutions in respect of, inter alia, the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and the Special Deals
“Enviro Energy”	Enviro Energy International Holdings Limited (stock code: 1102), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Excluded Shareholder(s)”	those Overseas Shareholder(s) to whom the Directors (having obtained relevant and necessary legal opinions) consider it necessary or expedient not to extend the Open Offer to on account of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place
“Executive”	the Executive Director of the Corporate Finance Division of the SFC from time to time or any of his delegates
“Existing Conversion Share(s)”	collectively, the UC Conversion Share(s) and the CY Conversion Share(s)

DEFINITIONS

“Existing Convertible Notes”	collectively, the outstanding UC Convertible Notes and the outstanding CY Convertible Notes in the aggregate principal amount of HK\$232,500,000 as at the Latest Practicable Date
“GBP”	Great Britain Pound, the lawful currency of the United Kingdom
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries
“HCA 1355/2015”	the High Court action under High Court Action No. 1355 of 2015, being the action under LBTC 1470/2015 transferred from the Labour Tribunal of Hong Kong, and whereupon Mr. Pannu added further claims of unspecified quantum against the Company for alleged libel
“HCA 1590/2015”	the High Court action under High Court Action No. 1590 of 2015 initiated by the Company and BCFC against, among others, Mr. Yeung claiming a total of more than HK\$100,000,000 from Mr. Yeung for various breaches of duties whilst he was a director of the Company and a director of BCFC
“High Court”	the High Court of Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HSBC Facility”	term loan facility of up to GBP836,200 provided by HSBC Bank plc to BCFC pursuant to a facility letter dated 25 August 2006 entered into between BCFC as borrower and HSBC Bank plc as lender
“IC Review”	the internal control review conducted by ZHONGHUI ANDA Risk Services Limited on the Group over the period from 1 July 2014 to 31 August 2015

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors as at the Latest Practicable Date, namely Mr. Cheung Yuk Ming, Mr. Law Pui Cheung and Mr. Lai Hin Wing Henry Stephen, who have no direct or indirect interest in the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and the Special Deals
“Independent Financial Adviser”	TC Capital International Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and the Special Deals
“Independent Shareholder(s)”	Shareholder(s) other than (i) the Investor, its ultimate beneficial owners, Mr. Yeung, RY, U-Continent, Mr. Pannu, Asia Rays, Amazing Top, Mr. Wang Lei, Ms. Wang Man Li and parties acting in concert with any of them; and (ii) any Shareholders who are involved in and/or interested in the Capital Reorganisation, the Open Offer, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and/or the Special Deals
“Independent Third Party(ies)”	third party(ies) (i) independent of the Company and its connected persons as defined under the Listing Rules and (ii) not acting in concert with the Investor or Mr. Suen
“Initial Announcement”	the announcement of the Company dated 31 March 2015 in relation to, among others, the then progress of the possible restructuring of the Company
“Interested Shareholders”	collectively, U-Continent, Mr. Yeung, RY, Mr. Pannu, Asia Rays, Amazing Top and/or their respective associates

DEFINITIONS

“Investor”	Trillion Trophy Asia Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Wealthy Associates International Limited, a company incorporated in the British Virgin Islands with limited liability, which in turn is wholly and beneficially owned by Mr. Suen
“Latest Acceptance Date”	20 October 2016, or such other date as agreed between the Company and the Underwriter, being the last date for acceptance of and payment for the Offer Shares
“LBTC 1470/2015”	Labour Tribunal Claim No. 1470 of 2015 initiated by Mr. Pannu against the Company in the Labour Tribunal of Hong Kong claiming approximately HK\$3.6 million (plus interest) from the Company for alleged wrongful dismissal as a director of the Company, which was subsequently transferred to the High Court and designated as HCA 1355/2015
“Latest Time for Termination”	4:00 p.m. on the second Business Day after the last date for application and payment for the Offer Shares or such later time or date as may be agreed between the Underwriter and the Company, being the latest time to terminate the Underwriting Agreement
“Latest Practicable Date”	3 August 2016, being the latest practicable date prior to the date of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Facility Agreement”	the loan facility agreement dated 26 June 2015 entered into between the Company and the Investor in relation to the provision of the Loans by the Investor to the Company
“Loans”	a term loan facility of up to HK\$212,813,600 provided by the Investor to the Company pursuant to the terms of the Loan Facility Agreement (as supplemented by the Amendment Letter)

DEFINITIONS

“Misappropriation”	the suspected misappropriation of funds of an aggregate sum of HK\$38 million by a former employee of the Company, details of which are set out in the announcements of the Company dated 19 January 2015 and 22 January 2015 respectively
“Mr. Pannu”	Mr. Peter Pannu, a former executive director of the Company, a former director of BCP and BCFC and the Shareholder interested in 1,500,000 Shares (representing approximately 0.015% of the issued share capital of the Company) as at the date of the Company’s announcement in respect of its entry into the PP Settlement Agreement, and the sole registered shareholder of Asia Rays, Amazing Top and BCLFC
“Mr. Suen”	Mr. Suen Cho Hung, Paul, the sole beneficial owner of Wealthy Associates International Limited which in turn wholly owned the Investor as at the Latest Practicable Date
“Mr. Yeung”	Mr. Yeung Ka Sing, Carson, according to information available to the Directors, a substantial Shareholder holding approximately 27.89% of the issued share capital of the Company as at the Latest Practicable Date
“New CN Completion Date”	the date on which the completion of the New CN Subscription takes place, being the third Business Day next following the date of fulfilment of the conditions precedent to the New CN Subscription Agreement last in time to be fulfilled or waived by the Investor (save for conditions precedent to completion of the Underwriting Agreement and completion of the Share Subscription Agreement, both of which should take place at or about the same time as the New CN Subscription Agreement), as the case may be, or such other date as the Company and the Investor may agree in writing
“New CN Subscription”	the subscription of the New Convertible Notes by the Investor pursuant to the terms of the New CN Subscription Agreement

DEFINITIONS

“New CN Subscription Agreement”	the subscription agreement dated 6 June 2016 entered into between the Company and the Investor in relation to the New CN Subscription (as amended by a supplemental deed dated 8 June 2016 entered into between the Company and the Investor and announced by the Company on 8 June 2016)
“New Conversion Share(s)”	the New Share(s) to be allotted and issued by the Company to the noteholder upon exercise of the conversion rights attaching to the New Convertible Notes by the noteholder
“New Convertible Notes”	the 2% convertible notes due on the date falling three years from the date of issue or, if that is not a Business Day, the first Business Day thereafter, in the aggregate principal amount of up to HK\$150,000,000 to be issued by the Company to the Investor pursuant to the terms of the New CN Subscription Agreement
“New Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company immediately following the Capital Reduction becoming effective
“Offer Price”	HK\$0.08 per Offer Share
“Offer Share(s)”	the 242,027,168 New Share(s) to be allotted and issued under the Open Offer
“Open Offer Record Date”	28 September 2016 or such other date as the Underwriter may agree in writing with the Company, being the date by reference to which entitlements under the Open Offer are to be determined
“Open Offer”	the proposed issue of the Offer Shares on the basis of one (1) Offer Share for every two (2) New Shares held by the Qualifying Shareholders on the Open Offer Record Date at the Offer Price
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Open Offer Record Date and whose address(es) as shown on such register is(are) outside Hong Kong

DEFINITIONS

“Placee(s)”	the purchaser(s) procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the terms of the Placing Agreement
“Placing Agent”	Kingston Securities Limited, the placing agent under the Placing Agreement and a licensed corporation to carry out type 1 regulated activity (dealing in securities) under the SFO
“Placing Agreement”	the placing agreement entered into between the Investor and the Placing Agent to place down the New Shares held by the Investor upon completion of the Proposed Restructuring for the purpose to restore the public float to not less than 25% as required under the Listing Rules upon the Resumption
“Placing Shares”	being an aggregate of not less than 1,070,000,000 New Shares and not more than 1,175,000,000 New Shares to be placed under the Placing Agreement
“PP Settlement Agreement”	the deed of settlement dated 4 May 2016 entered into between the Company, BCFC, Mr. Pannu, Asia Rays and Amazing Top as announced by the Company on 10 May 2016
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purposes of this circular
“Proposed Restructuring”	the proposed restructuring of the Company comprising the Capital Reorganisation, the Open Offer, the Subscriptions, the Settlement Agreements and the Whitewash Waiver
“Prospectus”	the prospectus to be despatched to the Shareholders containing the details of the Open Offer
“Prospectus Documents”	collectively, the Prospectus and the Application Forms
“Prospectus Posting Date”	the date on which the Prospectus Documents are to be despatched to the Qualifying Shareholders or the Prospectus are to be despatched to the Excluded Shareholders (if any), as the case may be

DEFINITIONS

“Qualifying Shareholder(s)”	the Shareholder(s), other than the Excluded Shareholder(s) (if any), whose names appear on the register of members of the Company on the Open Offer Record Date
“Receivers”	Messrs. Stephen Liu Yiu Keung, David Yen Ching Wai and Koo Chi Sum all of Ernst & Young Transactions Limited of 62nd Floor, One Island East, 18 Westlands Road, Island East, Hong Kong
“Receivership Order”	an order of the High Court dated 16 February 2015 pursuant to which the Receivers were appointed as receivers over the Company as a matter of Hong Kong law
“Relevant Period”	the period commencing 1 October 2014 (being the date falling six months prior to the date of the Initial Announcement) up to and including the Latest Practicable Date
“Resumption”	resumption of trading in the Shares or the New Shares, as applicable, on the Stock Exchange
“Resumption Date”	the date of the Resumption
“Resumption Proposal”	the resumption proposal of the Company submitted to the Stock Exchange in relation to the Proposed Restructuring of the Company for the purpose of seeking approval of the Stock Exchange on the Resumption
“RY”	Mr. Ryan Yeung, the son of Mr. Yeung
“Settlement Agreements”	collectively, the CY Settlement Agreement, the UC Settlement Agreement and the PP Settlement Agreement
“Settlement Date”	the second Business Day following 4:00 p.m. on the last date (or such other time or date as the Underwriter and the Company may agree in writing) for application and payment for the Offer Shares
“SFC”	the Securities and Futures Commission

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
“Share Completion Date”	the date on which the Share Subscription takes place, being the third Business Day next following the date of fulfilment of the conditions precedent to the Share Subscription Agreement last in time to be fulfilled or waived by the Investor (save for the conditions precedent to completion of the Underwriting Agreement and completion of the New CN Subscription Agreement, both of which should take place at or about the same time as the Share Subscription Agreement), as the case may be, or such other date as the Company and the Investor may agree in writing
“Share Consolidation”	the proposed consolidation of every twenty (20) issued and unissued Shares of HK\$0.01 each into one (1) Consolidated Share of HK\$0.20 each
“Share Premium Cancellation”	the proposed share premium cancellation of the Company upon the Capital Reduction becoming effective
“Share Subscription Agreement”	the subscription agreement dated 6 June 2016 entered into between the Company and the Investor in relation to the Share Subscription (as amended by a supplemental deed dated 8 June 2016 entered into between the Company and the Investor and announced by the Company on 8 June 2016)
“Share Subscription”	the subscription of 3,125,000,000 New Shares by the Investor pursuant to the terms of the Share Subscription Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Special Audit”	the special audit on the consolidated financial statements of the Group for the year ended 30 June 2014 performed by ZHONGHUI ANDA CPA Limited, details of which are set out in the announcement of the Company dated 19 July 2016

DEFINITIONS

“Special Deal(s)”	the entering into of the UC Settlement Agreement between the Company and U-Continent, the entering into of the CY Settlement Agreement between the Company, BCFC, Mr. Yeung and RY, the entering into of the PP Settlement Agreement between the Company, BCFC, Mr. Pannu, Amazing Top and Asia Rays and the arrangement under the Debt Undertaking, each of which constitutes a special deal under Rule 25 of the Takeovers Code
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreements”	collectively, the Share Subscription Agreement and the New CN Subscription Agreement
“Subscription Price”	the subscription price of HK\$0.08 per Subscription Share
“Subscription Share(s)”	the New Share(s) to be allotted and issued to the Investor by the Company pursuant to the Share Subscription Agreement
“Subscriptions”	collectively, the Share Subscription and the New CN Subscription
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“UC Conversion Share(s)”	the New Share(s) to be allotted and issued by the Company upon exercise of the conversion rights attaching to the outstanding UC Convertible Notes
“UC Convertible Notes”	collectively, the UC First Convertible Notes and the UC Second Convertible Notes
“UC First Convertible Notes”	the zero interest unsecured convertible notes issued by the Company pursuant to the terms of the U-Continent First Agreement in the aggregate principal amount of HK\$50,000,000, the beneficial owner of which the Company understands to be U-Continent

DEFINITIONS

“UC Second Convertible Notes”	the zero interest unsecured convertible notes issued by the Company pursuant to the terms of the U-Continent Second Agreement in the aggregate principal amount of HK\$125,000,000, the beneficial owner of which the Company understands to be U-Continent
“UC Settlement Agreement”	the deed of settlement dated 12 April 2016 entered into between the Company and U-Continent as announced by the Company on 26 April 2016
“UCCN Maturity Date Extension”	the extension of the maturity dates of the remaining unconverted UC Convertible Notes (with all other terms and conditions of the remaining unconverted UC Convertible Notes remaining unchanged) to 31 December 2016 or such other date as the parties to the UC Settlement Agreement may agree in writing
“U-Continent”	U-Continent Holdings Limited, an investment holding company and according to information available to the Receivers, a substantial Shareholder holding approximately 15.49% of the issued share capital of the Company as at the Latest Practicable Date and was wholly owned by Mr. Wang Lei as at the Latest Practicable Date
“U-Continent Agreements”	collectively, the U-Continent First Agreement and the U-Continent Second Agreement
“U-Continent First Agreement”	the subscription agreement dated 12 November 2013 entered into between the Company and U-Continent (as subsequently amended by a deed of variation dated 19 November 2013) in relation to the issue and subscription of zero interest unsecured convertible notes in the principal amount of HK\$50,000,000

DEFINITIONS

“U-Continent Second Agreement”	the subscription agreement dated 12 November 2013 entered into between the Company and U-Continent (as subsequently amended by two deeds of variation dated 19 November 2013 and 20 December 2013, respectively) in relation to the issue and subscription of zero interest unsecured convertible notes in the principal amount of HK\$125,000,000
“Underwriter”	Kingston Securities Limited, an underwriter appointed by the Company to fully underwrite the Offer Shares to be issued under the Open Offer
“Underwriting Agreement”	the underwriting agreement dated 1 August 2016 entered into between the Company and the Underwriter in relation to the Open Offer, pursuant to the which the Underwriter agreed to fully underwrite the Offer Shares under the Open Offer
“Whitewash Waiver”	a waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligations on the Concert Group to make a mandatory general offer under Rule 26 of the Takeovers Codes for all the issued New Shares of the Company (not already owned or agreed to be acquired by the Concert Group) as a result of the completion of the Capital Reorganisation, the Open Offer and the Share Subscription
“Withdrawal”	the withdrawal of the auditor’s report from JH CPA Alliance Limited, the former auditor of the Company, to the Shareholders dated 30 September 2014 in respect of the consolidated financial statements of the Company for the year ended 30 June 2014 as announced by the Company on 21 January 2015
“Yeung Agreement”	the subscription agreement dated 20 December 2013 entered into between the Company and Mr. Yeung in relation to the issue and subscription of the CY Convertible Notes
“%”	per cent

EXPECTED TIMETABLE

The following events are conditional on the results of the EGM and the relevant Grand Court hearings. The dates are therefore tentative.

Latest time for lodging proxy forms for the EGM	11:00 a.m. on Saturday, 27 August 2016
Expected date of the EGM	11:00 a.m. on Monday, 29 August 2016
Publication of announcement in relation to poll results of the EGM	Monday, 29 August 2016
Expected effective date of the Capital Reorganisation	Tuesday, 27 September 2016
Effective date of change in board lot size from 2,000 Shares to 20,000 New Shares	Tuesday, 27 September 2016
First day of free exchange of existing certificates for the Shares into new share certificates for the New Shares	Tuesday, 27 September 2016
Last day of cum-entitlements of the New Shares	Wednesday, 28 September 2016
First day of ex-entitlements of the New Shares.	Thursday, 29 September 2016
Latest time for lodging transfer of the New Shares in order to qualify for the Open Offer	4:30 p.m. on Friday, 30 September 2016
Closure of register of members to determine the eligibility of the Open Offer (both dates inclusive)	Monday, 3 October 2016 to Tuesday, 4 October 2016
Open Offer Record Date	Tuesday, 4 October 2016
Register of members re-opens.	Wednesday, 5 October 2016
Prospectus Posting Date	Wednesday, 5 October 2016

EXPECTED TIMETABLE

Latest time for acceptance and payment for the Offer Shares	4:00 p.m. on Thursday, 20 October 2016
Latest time for the termination of the Underwriting Agreement	4:00 p.m. on Monday, 24 October 2016
Publication of the announcement in relation to the allotment results of the Open Offer	Tuesday, 25 October 2016
Completion of the Open Offer, the Share Subscription and the New CN Subscription and despatch of certificates for the Offer Shares and the Subscription Shares and the New Convertible Notes . . .	Wednesday, 26 October 2016
If the Open Offer is terminated, refund cheques to be despatched	Wednesday, 26 October 2016
Publication of the announcement in relation to the completion of the Open Offer, the Share Subscription and the New CN Subscription.	Wednesday, 26 October 2016
Restoration of public float	Thursday, 27 October 2016
Publication of the announcement for restoration of public float and fulfilment of resumption conditions.	Thursday, 27 October 2016
Order granted by the High Court to discharge the Receivership Order and the release of the Receivers in respect of the receivership	Thursday, 27 October 2016
Completion of the PP Settlement Agreement (<i>Note 1</i>)	By Monday, 31 October 2016
Completion of the CY Settlement Agreement and the UC Settlement Agreement	Monday, 31 October 2016
Resumption and dealing in the New Shares commence	9:00 a.m. on Monday, 31 October 2016
Designated broker starts to stand in the market to provide matching services for odd lot of New Shares.	9:00 a.m. on Monday, 31 October 2016

EXPECTED TIMETABLE

Publication of the announcement in relation to
the completion of the CY Settlement
Agreement and the UC Settlement Agreement Monday, 31 October 2016

Designated broker ceases to stand in the
market to provide matching services
for odd lot of New Shares. close of business on
Monday, 21 November 2016

Last day of free exchange of existing share
certificates for the new share certificates Wednesday, 23 November 2016

Notes:

- (1) The PP Settlement Agreement constitutes a special deal under Rule 25 of the Takeovers Code and is subject to the Independent Shareholders passing at the EGM resolutions approving the Special Deal and the consent from the Executive in relation to the Special Deal. The PP Settlement Agreement is also subject to the obtaining of the approval of the PP Settlement Agreement by the High Court. Accordingly, completion of the PP Settlement Agreement is expected to take place upon the obtaining of the approval by the High Court.
- (2) The expected timetable set out above is tentative and for indicative purposes only, in particular, the events in relation to the Capital Reorganisation are conditional on the approval from the Grand Court. Dates or times specified in this circular for the Capital Reorganisation may be varied due to the timetable and the availability of the Grand Court and additional time required for compliance with regulatory requirements in the Cayman Islands and/or with any requirements imposed by the Grand Court, in particular, the registration by the Registrar of Companies of Cayman Islands of the order of the Grand Court confirming the Capital Reduction and the minute approved by the Grand Court containing the particulars required under Section 17 of the Cayman Companies Law in respect of the capital reduction is required for the Capital Reduction to become effective. Save for the aforesaid, there is no other regulatory consent required. Should there be any changes, the Company will issue further announcement(s) on the timetable as and when appropriate.
- (3) All references to time as stated in the above timetable are references to Hong Kong time unless otherwise specified.

EXPECTED TIMETABLE

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

If there is a tropical cyclone warning signal number 8 or above; or 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 Acceptance Date, the latest time for acceptance of and payment for the Offer Shares will not take place at 4:00 p.m. on the Latest Acceptance Date, but will be extended to 5:00 p.m. on the same day instead;

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

If the latest time for acceptance of and payment for the Offer Shares does not take place on the Latest Acceptance Date, the dates mentioned in the section headed “Expected Timetable” in this circular may be affected. An announcement will be made by the Company in such event.

LETTER FROM THE BOARD



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

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

Executive Directors:

Mr. Liu Yiu Keung Stephen
Mr. Yen Ching Wai David
Ms. Koo Chi Sum

Independent non-executive Directors:

Mr. Cheung Yuk Ming
Mr. Law Pui Cheung
Mr. Lai Hin Wing Henry Stephen

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:*

Room 1200, 12th Floor
Wing On Centre
111 Connaught Road Central
Sheung Wan, Hong Kong

5 August 2016

To the Shareholders

Dear Sir or Madam,

- (1) STATUS OF RESUMPTION PROPOSAL;**
 - (2) PROPOSED CAPITAL REORGANISATION
AND CHANGE IN BOARD LOT SIZE;**
 - (3) PROPOSED OPEN OFFER OF OFFER SHARES ON THE BASIS OF
ONE OFFER SHARE FOR EVERY TWO NEW SHARES HELD ON
THE OPEN OFFER RECORD DATE;**
 - (4) PROPOSED SUBSCRIPTION OF SUBSCRIPTION SHARES
UNDER SPECIFIC MANDATE;**
 - (5) PROPOSED SUBSCRIPTION OF CONVERTIBLE NOTES
UNDER SPECIFIC MANDATE;**
 - (6) APPLICATION FOR WHITEWASH WAIVER;**
 - (7) SPECIAL DEALS AND/OR CONNECTED TRANSACTIONS
IN RELATION TO THE SETTLEMENT AGREEMENTS;**
- AND**
- (8) NOTICE OF EGM**

LETTER FROM THE BOARD

INTRODUCTION

References are made to, among others, the Announcement and the announcement of the Company dated 8 June 2016 in relation to, among others, the Proposed Restructuring.

The purpose of this circular is to provide the Shareholders with, among others, further information in respect of (i) the status of the Resumption; (ii) the Capital Reorganisation and the proposed change in board lot size; (iii) the Open Offer including the Underwriting Agreement; (iv) the Subscriptions; (v) the Whitewash Waiver; (vi) the Settlement Agreements; (vii) the Special Deals; (viii) a letter from the Independent Board Committee; (ix) a letter of advice from the Independent Financial Adviser; and (x) a notice of the EGM.

STATUS OF RESUMPTION PROPOSAL

Reference is made to the announcement of the Company dated 18 February 2015 which sets out the resumption conditions of the Company which are reproduced as below:

- (i) conduct an appropriate investigation on the Misappropriation and the Withdrawal, disclose the findings, assess their impact on the Company's financial and operational positions and take appropriate remedial actions;
- (ii) publish all outstanding financial results, and address any audit qualifications;
- (iii) demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems to meet its Listing Rules obligations;
- (iv) demonstrate that the Company has sufficient working capital for its operation for at least twelve months from its expected Resumption Date; and
- (v) address the allegations against the Company and the former directors received by the Stock Exchange during December 2014 to January 2015 and inform the market of all material information for the Shareholders and the investors to appraise the Group's position.

As at the Latest Practicable Date, condition (ii) above has been fulfilled. In such regard, the Company has appointed ZHONGHUI ANDA CPA Limited to perform the Special Audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Results of the Special Audit (including certain discrepancies between the figures contained in the results of the Special Audit and those contained in the annual results announcement dated 30 September 2014 and the annual

LETTER FROM THE BOARD

report of the Company for the year ended 30 June 2014, and the reasons thereof) are set out in the announcement of the Company dated 19 July 2016. An extract of the disclaimer of opinions reported in the Special Audit is set out in Appendix I to this circular. The audit of the annual results of the Company for the year ended 30 June 2015 was carried out pursuant to Hong Kong Standards on Auditing. All necessary prior year adjustments to the financial statements of the Company for the year ended 30 June 2014 had been considered and adopted by the Company and had been reflected in the published annual results for the year ended 30 June 2015. As confirmed by ZHONGHUI ANDA CPA Limited, they were not aware of any material adjustments made to the consolidated financial statements of the Company for the year ended 30 June 2014 during the Special Audit that would affect the published annual results for the year ended 30 June 2015. It is expected that the annual results and annual report of the Company for the year ended 30 June 2016 will be published in compliance with the Listing Rules on or before 30 September 2016 and 31 October 2016, respectively.

As at the Latest Practicable Date, condition (iii) above has been fulfilled. On 13 August 2015, the Company has engaged ZHONGHUI ANDA Risk Services Limited as the independent internal control reviewer to conduct the IC Review to assess if the Group's financial reporting procedures and internal control systems are adequate to enable it to meet its obligations under the Listing Rules. The IC Review was conducted with reference to, among others, the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 under the Listing Rules and other relevant Listing Rules. In this regard, ZHONGHUI ANDA Risk Services Limited has identified a number of deficiencies in the internal control systems of the Group prior to the appointment of the new Board on 9 March 2015 and made recommendations to the new Board for improvement. The new Board has developed and adopted enhanced policies and measures to rectify the identified weaknesses and deficiencies after the initial IC Review of ZHONGHUI ANDA Risk Services Limited, details of which are set out in the announcement of the Company dated 19 July 2016. After the follow-up IC Review, ZHONGHUI ANDA Risk Services Limited concluded that no material irregularity or error was found on the enhanced financial reporting procedures and internal control systems of the Group.

In respect of condition (iv) above, the Company proposed to carry out the transactions contemplated under the Resumption Proposal and details of, among others, the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Settlement Agreements, the Placing Agreement and all transactions under the Resumption Proposal are set out in this circular.

The Company has been taking steps to fulfil the remaining three resumption conditions (i), (iv) and (v) in compliance with the Listing Rules and will make announcement(s) in respect of the status and/or fulfilments as and when appropriate.

LETTER FROM THE BOARD

After considering the Resumption Proposal, on 31 May 2016, the Stock Exchange issued a conditional approval letter to the Company whereby it allowed the Resumption subject to the following conditions to be fulfilled:

- (i) completion of the Proposed Restructuring with the public float issue addressed; and
- (ii) publication of the revised 2014 annual results.

As at the Latest Practicable Date, condition (ii) above has been fulfilled, details of which are set out in the announcement of the Company dated 19 July 2016.

PROPOSED RESTRUCTURING

In order to implement the Resumption Proposal, (i) on 8 March 2016, the Company and BCFC entered into the CY Settlement Agreement with Mr. Yeung and RY, details of which are set out in the announcement of the Company dated 14 March 2016; (ii) on 12 April 2016, the Company entered into the UC Settlement Agreement with U-Continent, details of which are set out in the announcement of the Company dated 26 April 2016; (iii) on 4 May 2016, the Company and BCFC entered into the PP Settlement Agreement with Mr. Pannu, Asia Rays and Amazing Top, details of which are set out in the announcement of the Company dated 10 May 2016; (iv) on 6 June 2016, the Company entered into the Share Subscription Agreement and the New CN Subscription Agreement with the Investor; and (v) on 1 August 2016, the Company entered into the Underwriting Agreement with the Underwriter.

As part of the Resumption Proposal, the Company proposes to implement the Capital Reorganisation which comprises of (i) the Share Consolidation; (ii) the Capital Reduction; (iii) the Share Premium Cancellation; (iv) the Authorised Share Capital Cancellation; and (v) the Authorised Share Capital Increase.

Completion of the Open Offer, the Share Subscription Agreement and the New CN Subscription Agreement are inter-conditional upon each other and each of the aforesaid completions is conditional on the completion of the Capital Reorganisation. Completion of each of the CY Settlement Agreement and the UC Settlement Agreement is conditional on the Resumption, which is subject to, among others, completion of the Capital Reorganisation, the Open Offer, the Share Subscription Agreement and the New CN Subscription Agreement. Completion of the Subscription Agreements is subject to, among others, the Whitewash Waiver having been granted by the Executive. If the Whitewash Waiver is not granted, the Subscription Agreements will lapse and consequentially the Open Offer, the CY Settlement Agreement, the Debt Undertaking and the UC Settlement

LETTER FROM THE BOARD

Agreement will lapse and the Capital Reorganisation and the Resumption will not proceed. Completion of the PP Settlement Agreement is subject to, among others, the Independent Shareholders passing at the EGM relevant resolution(s) approving the Special Deal and the consent from the Executive in relation to the Special Deal.

CAPITAL REORGANISATION AND CHANGE IN BOARD LOT SIZE

The Company proposes to effect the Capital Reorganisation comprising:

- (1) the proposed Share Consolidation which involves the consolidation of every twenty (20) issued and unissued Shares of HK\$0.01 each into one (1) Consolidated Share of HK\$0.20 each;
- (2) upon the Share Consolidation becoming effective, the proposed Capital Reduction which involves the reduction in the nominal value of each of the issued Consolidated Shares in the issued share capital of the Company from HK\$0.20 per Consolidated Share to HK\$0.01 per New Share by cancelling HK\$0.19 of the capital paid up on each issued Consolidated Share;
- (3) upon the Capital Reduction becoming effective:
 - (a) the proposed Share Premium Cancellation where the entire amount standing to the credit of the share premium account of the Company of approximately HK\$1,272,710,000 will be cancelled. Upon the Share Premium Cancellation becoming effective, the credits arising from the Capital Reduction and the Share Premium Cancellation will be applied to offset the accumulated losses of the Company of approximately HK\$1,608,834,000 as at 30 June 2015 with the balance, if any, to be transferred to the distributable reserve of the Company; and
 - (b) the Authorised Share Capital Cancellation where all the existing authorised but unissued Shares will be cancelled in their entirety; and
- (4) upon the Share Premium Cancellation and the Authorised Share Capital Cancellation becoming effective, the Authorised Share Capital Increase where the Company's authorised share capital will be increased from HK\$4,840,543.36 divided into 484,054,336 New Shares of HK\$0.01 each to HK\$500,000,000.00 divided into 50,000,000,000 New Shares of HK\$0.01 each.

LETTER FROM THE BOARD

Fractional New Shares will be disregarded and not be issued to the Shareholders but all such fractional New Shares will be aggregated and, if possible, sold and retained for the benefit of the Company.

Effects of the Capital Reorganisation

The implementation of the Capital Reorganisation is not expected to alter the underlying assets, business operation and financial position (save for the incidental costs involved) of the Company and the interests and rights of the Shareholders other than as described above.

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$500,000,000.00 divided into 50,000,000,000 Shares of HK\$0.01 each, of which 9,681,086,733 Shares have been issued and were fully paid or credited as fully paid. The following table sets out the effect of the Capital Reorganisation on the existing share capital of the Company (assuming there is no change in the number of Shares from the Latest Practicable Date to immediately before the Capital Reorganisation):

	Immediately before the Share Consolidation	Immediately upon the Share Consolidation	Immediately upon the Capital Reduction, the Share Premium Cancellation and the Authorised Share Capital Cancellation	Immediately upon the Authorised Share Capital Increase
Nominal value	HK\$0.01	HK\$0.20	HK\$0.01	HK\$0.01
Authorised share capital	HK\$500,000,000.00	HK\$500,000,000.00	HK\$4,840,543.36	HK\$500,000,000.00
	divided into	divided into	divided into	divided into
	50,000,000,000	2,500,000,000	484,054,336	50,000,000,000
	Shares	Consolidated Shares	New Shares	New Shares
Issued and paid up share capital	HK\$96,810,867.33	HK\$96,810,867.20	HK\$4,840,543.36	HK\$4,840,543.36
	divided into	divided into	divided into	divided into
	9,681,086,733	484,054,336	484,054,336	484,054,336
	Shares	Consolidated Shares	New Shares	New Shares

Conditions of the Capital Reorganisation

The implementation of the Capital Reorganisation and the listing of the New Shares are conditional upon:

- (i) the passing of a special resolution by the Independent Shareholders by way of poll at the EGM to approve the Capital Reorganisation;

LETTER FROM THE BOARD

- (ii) the Grand Court granting an order approving the Capital Reduction;
- (iii) the compliance with any conditions imposed by the Grand Court;
- (iv) the registration by the Registrar of Companies in the Cayman Islands of a copy of the Grand Court order approving the Capital Reduction and the minute containing the particulars required under the Cayman Companies Laws with respect to the Capital Reduction;
- (v) the Listing Committee granting the listing of, and permission to deal in, the New Shares in issue upon the Capital Reorganisation becoming effective; and
- (vi) the High Court having granted its approval, if required, in respect of the Capital Reorganisation.

As at the Latest Practicable Date, none of the conditions described above has been fulfilled.

Expected effective date of the Capital Reorganisation

Upon the conditions mentioned above being fulfilled, the Capital Reorganisation will become effective immediately after the registration of the Grand Court order and the minute as referred to in condition (iv) above. An application will be made to the Grand Court for the approval of the Capital Reduction as soon as practicable after the passing of the special resolution at the EGM.

Reasons for the Capital Reorganisation

The Board considers that the Capital Reorganisation will give greater flexibility to the Company to raise funds through the issue of New Shares in the future. In addition, the credits arising from the Capital Reduction and the Share Premium Cancellation will be used to offset the accumulated losses of the Company with the balance, if any, to be transferred to the distributable reserve of the Company which will be applied in such manner as and when the Board considers appropriate.

The Capital Reorganisation is subject to the approval of the Independent Shareholders at the EGM and the Capital Reorganisation becoming effective is one of the conditions precedent under the Open Offer and the Subscriptions. The total gross proceeds from the Open Offer and the Subscriptions amount to approximately HK\$419,362,000 and, after excluding the maximum amount of the consideration for the New CN Subscription to be offset against the drawn down amount of the Loans as at the completion of the

LETTER FROM THE BOARD

New CN Subscription of HK\$150,000,000 (details of which are set out in the section headed “The Loans” below), the net proceeds from the Open Offer and the Subscriptions (after deducting the estimated expenses) will amount to approximately HK\$264,362,000 (details of which are set out in the section headed “Reasons for the Open Offer, the Subscriptions and the Loans and the use of proceeds” below). The Capital Reorganisation will help enhance the financial position of the Company and provide the Company with the flexibility to accommodate issues of New Shares in the future when necessary. As at the Latest Practicable Date, save for the New Shares to be issued under the transactions contemplated under the Proposed Restructuring, the Company does not have any current plan to issue New Shares. Accordingly, the Directors are of the view that the implementation of the Capital Reorganisation is in the best interests of the Company and the Shareholders as a whole.

Exchange of new share certificates to the Shareholders

Subject to the Capital Reorganisation becoming effective, Shareholders may submit their existing share certificate(s) to the Company’s branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, in exchange for new share certificates free of charge during the period from Tuesday, 27 September 2016 to Wednesday, 23 November 2016 (both days inclusive). Such exchange of share certificates thereafter will be accepted only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each new share certificate issued or each existing share certificate submitted, whichever number of share certificate involved is higher. It is expected that the new share certificates will be available for collection from the Company’s branch share registrar by the Shareholders within 10 Business Days after delivery of the existing share certificates to the Company’s branch share registrar for exchange purpose.

As from Tuesday, 27 September 2016, all new share certificates will be issued in board lot of 20,000 New Shares each (except for odd lots or where the Company’s branch share registrar is otherwise instructed). Existing certificates for the Shares will remain effective as documents of title but will not be accepted for delivery, trading and settlement purpose and may be exchanged for certificates for the New Shares at any time.

The new share certificates will be red in colour in order to distinguish them from the existing share certificates which are blue in colour.

Status of the New Shares

The New Shares will be identical and rank *pari passu* in all respects with each other. Holders of such New 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 issuance of the New Shares.

LETTER FROM THE BOARD

Proposed change in board lot size

The existing board lot size is 2,000 Shares. Upon the Capital Reorganisation becoming effective, the New Shares will be traded in board lot size of 20,000 New Shares each.

Upon the Capital Reorganisation becoming effective and based on the theoretical quoted price of HK\$1.34 per New Share (the quoted price of HK\$0.067 per Share has been adjusted to reflect the effects of the Capital Reorganisation as if it becomes effective) on 4 December 2014, being the last trading day before the suspension of trading in the Shares since 10:21 a.m. that day, the value of each board lot of New Shares would be HK\$2,680 if the New Shares were continued to be traded in board lots of 2,000 each. Had the proposed change in board lot size become effective, the value of each board lot of New Shares would become HK\$26,800 each.

The proposed change in board lot size and the Capital Reorganisation will not result in any changes in the relative rights of the Shareholders.

Arrangement on odd lot trading

Subject to the Capital Reorganisation becoming effective, in order to facilitate the trading of odd lots (if any) of the New Shares arising from the Capital Reorganisation and the change in board lot size, the Company has appointed Kingston Securities Limited of Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong as an agent to provide matching services, on a best effort basis, to the Shareholders for the sale and purchase of odd lots of the New Shares at the relevant market price per New Share. Matching of odd lots of the New Shares arising from the Capital Reorganisation will commence from 9:00 a.m. on Monday, 31 October 2016 to close of business on Monday, 21 November 2016. Shareholders who wish to take advantage of this facility either to dispose of their odd lots of the New Shares or top up to a full board lot may, direct or through their brokers, contact Ms. Rosita Kiu of Kingston Securities Limited at (852) 2298-6215 during office hours. Holders of the New Shares in odd lots should note that successful matching of the sale and purchase of odd lots of the New Shares is not guaranteed. Any Shareholder who is in doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers.

Shareholders and potential investors of the Company should be aware and take note that the implementation of the Capital Reorganisation is conditional upon satisfaction of the conditions set out in the section headed “Conditions of the Capital Reorganisation” above, and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

LETTER FROM THE BOARD

THE OPEN OFFER

Conditional upon the Capital Reorganisation becoming effective, to enable the existing Shareholders to participate in the fund raising exercises under the Resumption Proposal, the Company proposes to conduct the Open Offer on the basis of one (1) Offer Share for every two (2) New Shares held by the Qualifying Shareholders on the Open Offer Record Date to raise approximately HK\$19,362,000 before expenses by issuing 242,027,168 Offer Shares to the Shareholders at the proposed offer price of HK\$0.08 per Offer Share.

Issue details

Basis of the Open Offer	:	One (1) Offer Share for every two (2) New Shares held by the Qualifying Shareholders on the Open Offer Record Date
Offer Price	:	HK\$0.08 per Offer Share
Number of Shares in issue as at the Latest Practicable Date	:	9,681,086,733 Shares
Number of New Shares expected to be in issue as at the Open Offer Record Date	:	484,054,336 New Shares
Number of Offer Shares expected to be issued	:	242,027,168 Offer Shares
Underwriting arrangement	:	Fully underwritten by the Underwriter

As at the Latest Practicable Date, there are Existing Convertible Notes in the aggregate principal amount of HK\$232,500,000 to subscribe for an aggregate of 7,750,000,000 Shares or 567,073,168 New Shares based on the adjusted conversion price of HK\$0.41, details of the adjustments of which are set out in the section below headed “Adjustments to the Conversion Price of the Existing Convertible Notes”, after taking into account the effects of the proposed Share Consolidation and the Open Offer. Pursuant to the CY Settlement Agreement and the UC Settlement Agreement, Mr. Yeung and U-Continent respectively undertake to the Company that he and/or it will not exercise any conversion rights attached to the CY Convertible Notes and the UC Convertible Notes at any time before the Shares

LETTER FROM THE BOARD

resume trading. Save for the Existing Convertible Notes, the Company has no other outstanding options, warrants, derivatives or convertible securities in issue which confer any rights to subscribe for, convert or exchange into Shares as at the Latest Practicable Date. Accordingly, based on 484,054,336 New Shares expected to be in issue as at the Open Offer Record Date, 242,027,168 Offer Shares in the aggregate nominal value of HK\$2,420,271.68 will be issued upon completion of the Open Offer. The Company has not procured any other undertaking and has not received any information or undertaking provided by any other Shareholders of their intentions to subscribe for their entitlement under the Open Offer or any arrangement that may have an effect on the Open Offer as at the Latest Practicable Date.

Offer Price

The Offer Price represents:

- (i) a discount of approximately 94.03% to the theoretical quoted price of HK\$1.34 per New Share (the quoted price of HK\$0.067 per Share has been adjusted to reflect the effects of the Capital Reorganisation) on 4 December 2014, being the last trading day before the suspension of trading in the Shares since 10:21 a.m. that day;
- (ii) a discount of approximately 10.11% to the audited equity attributable to owners of the Company per New Share of HK\$0.089 as at 30 June 2015 (based on the audited equity attributable to owners of the Company of approximately HK\$43,274,000 as at 30 June 2015 and 484,054,336 New Shares to be in issue upon the Capital Reorganisation becoming effective); and
- (iii) a discount of approximately 91.30% to the theoretical ex-rights price of HK\$0.92 calculated based on the theoretical quoted price of HK\$1.34 per New Share as derived in (i) above.

The Offer Price of HK\$0.08 per Offer Share was arrived after taking into account (i) the net current liabilities position of the Group as at 30 June 2015; (ii) the funds required for the continuing operation of the Group; and (iii) the fact that trading in the Shares on the Stock Exchange has been suspended since 4 December 2014. The Directors consider that the terms of the Open Offer are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Qualifying Shareholders

To qualify for the Open Offer, each Shareholder must be registered as a member of the Company as at 5:00p.m. on the Open Offer Record Date and must be a Qualifying Shareholder.

LETTER FROM THE BOARD

In order to be registered as a member of the Company at the close of business on the Open Offer Record Date, Shareholders must lodge any transfers of New Shares (together with the relevant share certificates) with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 30 September 2016. It is expected that the last day of dealing in the New Shares on a cum-entitlement basis is Wednesday, 28 September 2016 and the New Shares will be dealt with on an ex-entitlement basis from Thursday, 29 September 2016.

Subject to the Open Offer being approved at the EGM and the Capital Reorganisation becoming effective on 27 September 2016, the Company will despatch the Prospectus Documents to each of the Qualifying Shareholders and, for information only, the Prospectus to each of the Excluded Shareholders (if any) on or about Wednesday, 5 October 2016.

Qualifying Shareholders who take up their pro-rata entitlement in full will not suffer any dilution to their interests in the Company. If a Qualifying Shareholder does not take up any of its/his/her entitlement under the Open Offer, its/his/her proportionate shareholding in the Company will be diluted.

The invitation to subscribe for the Offer Shares to be made to the Qualifying Shareholders will not be transferable or capable of renunciation and there will not be any trading in the assured entitlements on the Stock Exchange.

Rights of the Overseas Shareholders

There was no Excluded Shareholder as at the Latest Practicable Date. According to the register of members of the Company as at the Latest Practicable Date, there is one Overseas Shareholder whose address on the register of members is in the PRC. The Company has made enquiries with the legal adviser as to the PRC laws regarding the legal restrictions with respect to the offering of the Offer Shares to such Overseas Shareholder. Based on the opinion of such legal adviser, the Directors have concluded that the Company will extend the Open Offer to such Overseas Shareholder in the PRC as there are no legal restrictions under the PRC laws prohibiting the Company from offering the Offer Shares to Shareholders whose registered address is located in the PRC and no local legal or regulatory compliance is required to be made by the Company in the PRC jurisdiction to offer the Offer Shares. Accordingly, the Open Offer will be extended to such Overseas Shareholder and the Prospectus Documents will be sent to such Qualifying Shareholder.

LETTER FROM THE BOARD

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 upon completion of the Open Offer.

Closure of register of members

The register of members of the Company will be closed from Monday, 3 October 2016 to Tuesday, 4 October 2016, both dates inclusive, in order to determine the eligibility of the Shareholders to the Open Offer. No transfers of New Shares will be registered during such book closure period.

No application for excess Offer Shares

The Qualifying Shareholders will not be entitled to subscribe for any Offer Share in excess of their respective assured entitlements. All Offer Shares not taken up by the Qualifying Shareholders will be underwritten by the Underwriter.

Fractions of Offer Shares

The Company will not issue any fractions of Offer Shares to the Qualifying Shareholders otherwise entitled thereto. All fractions of Offer Shares will be aggregated and rounded down to the nearest whole number of Offer Shares and taken up by the Underwriter.

Certificates and refund cheques for the Offer Shares

Subject to the Open Offer becoming unconditional, certificates for all fully paid Offer Shares shall be despatched by ordinary post to those Qualifying Shareholders who have accepted and paid for their Offer Shares by Wednesday, 26 October 2016, at their own risk. Refund cheques in respect of the Offer Shares if the Open Offer is terminated shall be despatched by ordinary post to the applicants at their own risk.

Conditions precedent to the Open Offer

The Open Offer is conditional, among others, upon completion of the Capital Reorganisation and the Subscriptions which form parts of the Proposed Restructuring. Therefore, the Open Offer may or may not proceed.

LETTER FROM THE BOARD

Underwriting Agreement

On 1 August 2016, the Company and the Underwriter entered into the Underwriting Agreement pursuant to which the Underwriter has conditionally agreed to fully underwrite the Offer Shares. Principal terms of the Underwriting Agreement are set out in the following table:

Date	:	1 August 2016
Parties	:	(1) the Company; and (2) the Underwriter
Number of the Offer Shares expected to be fully underwritten by the Underwriter	:	All Offer Shares, being 242,027,168 Offer Shares
Underwriting commission	:	2.5% of the aggregate Offer Price of the Offer Shares, which was determined after arm's length negotiations between the Company and the Underwriter with reference to, among other things, the scale of the Open Offer and the market rate, and the Board considers that the underwriting commission rate to be fair and reasonable and in the interests of the Company and the Shareholders as a whole

The Underwriter is a corporation licensed to carry out type 1 (dealing in securities) regulated activities under the SFO. The Underwriter is an independent third party not connected with the Company and its connected persons and the Investor. Save for being the Placing Agent under the Placing Agreement, the Underwriter is not a party acting in concert with the Investor and/or Mr. Suen. As at the Latest Practicable Date, none of the Underwriter, its ultimate beneficial owners and/or parties acting in concert with it are interested in any Shares.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination of the Underwriting Agreement (provided that if the date of the Latest Time for Termination of the Underwriting Agreement shall be a Business Day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains in force in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the latest time for termination of the Underwriting Agreement shall be the next Business Day on which no tropical cyclone warning signal no. 8 or above and no black rainstorm warning signal is or remains in force in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

LETTER FROM THE BOARD

- (a) there develops, occurs, exists or comes into force any event whereby in the absolute opinion of the Underwriter, the success of the Open Offer or the business or financial condition or prospectus of the Group would, might be or is likely to be adversely affected or which makes it inadvisable or inexpedient to proceed with the Open Offer, including:
- (i) the introduction of any new law or regulation or any change in existing laws or regulations (or any change in the judicial interpretation thereof) whether in Hong Kong or elsewhere; or
 - (ii) any change or deterioration (whether or not permanent) in local, national or international, economic, financial, political or military conditions or any event beyond the control of the Company (including, without limitations, acts of government, strikes, wars, acts of violence, acts of terrorism, sabotage, raids, attacks, explosion, flooding, civil commotion, terrorist attack, acts of God or accident); or
 - (iii) any change or deterioration (whether or not permanent) in local, national or international securities market conditions; or
 - (iv) without prejudice to the sub-clauses (ii) and (iii) above, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial or political circumstances or otherwise; or
 - (v) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict; or
- (b) there comes to the notice of the Underwriter or the Underwriter shall have reasonable cause to believe that any of the undertakings or other obligations expressed to be assumed by or imposed on the Company under the Underwriting Agreement have not been complied with in any respect; or
- (c) any statement contained in the Prospectus has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect, or matters have arisen or have been discovered which would, if the Prospectus was issued at the time, constitute a material omission therefrom,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination of the Underwriting Agreement, to terminate the Underwriting Agreement.

LETTER FROM THE BOARD

Without prejudice to any other rights and remedies available at any time to the Company, the Company may, by notice to the Underwriter, terminate and rescind the Underwriting Agreement at any time before the Settlement Date if the Share Subscription Agreement or the New CN Subscription Agreement is terminated pursuant to the terms thereto or the Underwriter has failed to perform any of its obligations which it is required to perform under the Underwriting Agreement in any material respect, prior to the Settlement Date which, if capable of rectification, has not been rectified within five Business Days of a notice requiring rectification being given by the Company to the Underwriter, and in either case to rescind the Underwriting Agreement.

Upon the giving of the abovementioned notice(s), all parties to the Underwriting Agreement shall, save as otherwise provided in the Underwriting Agreement, be released and discharged from their respective obligations under the Underwriting Agreement, save for any antecedent breach of any obligation under the Underwriting Agreement and except that the clauses in relation to the delivery of notices, successors and assigns and confidentiality as specified in the Underwriting Agreement shall continue in full force and effect.

Either party to the Underwriting Agreement may, by notice to the other party, terminate the Underwriting Agreement at any time if any conditions precedent to the Underwriting Agreement as set out in the section below headed “Conditions precedent to the Underwriting Agreement” has not been satisfied or waived by the Underwriter, as the case may be, in accordance with such conditions.

If the Underwriting Agreement is terminated by the Underwriter prior to the Latest Time for Termination or does not become unconditional, the Open Offer will not proceed.

Conditions precedent to the Underwriting Agreement

The obligations of the Underwriter under the Underwriting Agreement will be conditional on:

- (a) the passing in compliance with the Listing Rules and the Takeovers Code by the Independent Shareholders at the EGM authorising the performance of the transactions contemplated under the Open Offer;
- (b) the Prospectus Documents being duly approved by the Directors, the signing by or on behalf of all of the Directors on or before the Prospectus Posting Date of two copies of each of the Prospectus Documents and the certification by two Directors in the manner as mentioned in clause (c) below of two copies of each of the Prospectus Documents and the delivery on or before the Prospectus Posting Date of one such signed copy of each of the Prospectus Documents to the Underwriter;

LETTER FROM THE BOARD

- (c) the delivery to the Stock Exchange and the registration by the Registrar of Companies in Hong Kong respectively on or prior to the Prospectus Posting Date of one copy of each of the Prospectus Documents each duly certified in compliance with section 342C of the Companies Ordinance (and all other documents required to be attached thereto);
- (d) the posting of the Prospectus Documents to the Qualifying Shareholders and the Prospectus marked “For information only” to the Excluded Shareholders (if any), in each case, on the Prospectus Posting Date;
- (e) compliance by the Company with all its obligations under the clauses in relation to the allotment of the Offer Shares and delivery of the certain documents as specified in the Underwriting Agreement;
- (f) the Listing Committee granting listing of, and permission to deal in, the Offer Shares either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) by no later than the dates specified in such approval and not having withdrawn or revoked such listings and permission at or before 4:00 p.m. on the Settlement Date;
- (g) the Stock Exchange having indicated that trading in the Shares will be resumed subject to such conditions as may be imposed by the Stock Exchange;
- (h) completion at or about the same time of the Share Subscription Agreement and the New CN Subscription Agreement;
- (i) completion of the Capital Reorganisation;
- (j) the Whitewash Waiver having been granted by the Executive and the satisfaction of any conditions attached thereto, if any;
- (k) the Executive granting its consent to the Special Deals and the satisfaction of any conditions attached thereto, if any; and
- (l) the High Court having granted its approval, if required, in respect of the Capital Reorganisation, the Open Offer and the Underwriting Agreement.

LETTER FROM THE BOARD

If the abovementioned conditions (a), (b), (c) and (d) have not been satisfied in whole or in part by the Company on or before the Prospectus Posting Date (or such later date as the Underwriter may agree) or if other abovementioned conditions have not been satisfied by the Underwriter at or before 4:00 p.m. on the Settlement Date (or such later date as the Underwriter may agree), the Underwriting Agreement shall lapse and all liabilities of the Company and the Underwriter shall cease and determine and none of them shall have any claim against the other. For the avoidance of doubt, none of the conditions precedent to the Underwriting Agreement is capable of being waived.

THE SUBSCRIPTIONS

Principal terms of the Subscriptions:

Date	:	6 June 2016 (as amended by the applicable supplemental deed dated 8 June 2016)
Issuer	:	The Company
Subscriber	:	The Investor

The Investor and its ultimate beneficial owner(s) are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Independent Third Parties. As at the Latest Practicable Date, the Investor did not hold any Shares. The Investor represents, warrants and undertakes to the Company that neither the Investor, its ultimate beneficial owner(s), nor parties acting in concert with any of them are connected with or acting in concert with any substantial Shareholder(s), Directors and/or chief executive of the Company and of its subsidiaries and their respective associates as defined in the Listing Rules and Takeovers Code.

Subscriptions	:	(a) the Subscription Shares, being 3,125,000,000 New Shares in the aggregate nominal value of HK\$31,250,000 at the Subscription Price of HK\$0.08 per Subscription Share at a total subscription price of HK\$250,000,000; and
---------------	---	---

LETTER FROM THE BOARD

- (b) the New Convertible Notes in the principal amount of HK\$150,000,000, which entitle the Investor to subscribe for up to 1,875,000,000 New Conversion Shares in the aggregate nominal value of up to HK\$18,750,000 at the Conversion Price of HK\$0.08 per New Conversion Share (subject to adjustments).

Amount of the Subscriptions : HK\$400,000,000 in aggregate, of which

- (a) in respect of the Share Subscription, the total amount of the subscription price of HK\$250,000,000 (equivalent to HK\$0.08 per Subscription Share) will be paid on the date of completion of the Share Subscription; and
- (b) in respect of the New CN Subscription, an amount equal to HK\$150,000,000 will be set off against the drawn down amount of the Loans provided by the Investor to the Company as at the date of completion of the New CN Subscription.

Summary of principal terms of the New Convertible Notes

Issuer	:	The Company
Subscriber	:	The Investor
Principal amount	:	HK\$150,000,000
Issue price	:	100% of the principal amount of the New Convertible Notes
Maturity date	:	The date falling three years from the date of issue of the New Convertible Notes or, if that is not a Business Day, the first Business Day thereafter

LETTER FROM THE BOARD

- Interest : 2% per annum and the length of each interest period in relation to the New Convertible Notes shall be of six months. The first interest period shall commence on and include the date of issue of the New Convertible Notes and shall end on (and exclude) the date which is six months from the date of issue of the New Convertible Notes, and each subsequent interest period shall commence on and include the last day of the last preceding interest period and end on (and exclude) the date which is the next six months from the immediately preceding interest period and so on.
- Denomination : HK\$1,000,000 or integral multiples thereof
- Conversion price : HK\$0.08 per New Conversion Share, subject to the customary anti-dilution adjustment in certain events, details of which are set out in the sub-section below headed “Adjustments to the Conversion Price”.
- Adjustments to the Conversion Price : Subject to certain exceptions described in the New Convertible Notes, the Conversion Price shall from time to time be adjusted in accordance with the following relevant provisions and so that if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of sub-paragraphs (a) to (g) below, it shall fall within the first of the applicable paragraphs to the exclusion of the remaining paragraphs provided that if such event would be capable of falling within sub-paragraph (h) below as well, sub-paragraph (h) below shall apply:

LETTER FROM THE BOARD

- (a) If and whenever the New Shares by reason of any consolidation or sub-division or reclassification become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{B}$$

where:

- A = the revised nominal amount; and
B = the former nominal amount.

Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division becomes effective.

- (b) If and whenever the Company shall issue (other than in lieu of a cash dividend) any New Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

$$\frac{C}{D}$$

in each case, where:

- C = the aggregate nominal amount of the issued New Shares immediately before such issue; and
D = the aggregate nominal amount of the issued New Shares immediately after such issue.

Each such adjustment shall be effective (if appropriate, retroactively) from the commencement of the day next following the record date for such issue.

LETTER FROM THE BOARD

- (c) If and whenever the Company shall make any distributions in specie or in cash (“Capital Distribution”) to holders (in their capacity as such) of the New Shares (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{E-F}{E}$$

LETTER FROM THE BOARD

where:

- E = the then market price on the date on which the Capital Distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) the date immediately preceding the date of the Capital Distribution or, as the case may be, of the grant; and
- F = the fair market value on the day of such announcement or (as the case may require) the immediately preceding day, as determined in good faith by a licensed financial adviser selected in accordance with the terms of the New Convertible Notes of the portion of the Capital Distribution or of such rights which is attributable to one New Share,

provided that:

- (i) if in the opinion of the relevant licensed financial adviser, the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine, and in such event the above formula shall be construed as if “F” above meant the amount of the said market price which should properly be attributed to the value of the Capital Distribution or rights; and
- (ii) the provisions of this sub-paragraph (c) shall not apply in relation to the issue of New Shares paid out of profits or reserves and issued in lieu of a cash dividend.

Each such adjustment shall be effective (if appropriate, retroactively) from the commencement of the day next following the record date for the Capital Distribution or grant.

LETTER FROM THE BOARD

- (d) If and whenever the Company shall offer New Shares to holders of New Shares for subscription by way of rights, or shall grant to holders of New Shares any options or warrants to subscribe for New Shares, at a price which is less than 80% of the market price calculated in accordance with the terms of the New Convertible Notes at the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by the following fraction:

$$\frac{P + \frac{Q \times R}{S}}{P + Q}$$

where:

- P = the number of New Shares in issue immediately before the date of such announcement;
- Q = the aggregate number of New Shares so offered for subscription;
- R = the amount (if any) payable for the right, option or warrant to subscribe for each New Share, plus the subscription price payable for each New Share; and
- S = the then market price of one New Share on the trading day immediately prior to such announcement.

Such adjustment shall become effective (if appropriate, retroactively) from the commencement of the day next following the record date for the offer or grant.

LETTER FROM THE BOARD

- (e) (i) If and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for New Shares, and the total effective consideration per New Share initially receivable for such securities is less than 80% of the then market price (calculated in accordance with the terms of the New Convertible Notes) at the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by a fraction of which the numerator is the number of New Shares in issue immediately before the date of the issue plus the number of New Shares which the total effective consideration for the securities issued would purchase at such market price and the denominator is the number of New Shares in issue immediately before the date of the issue plus the number of New Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price.

Such adjustment shall become effective (if appropriate, retrospectively) from the close of business in Hong Kong on the Business Day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.

LETTER FROM THE BOARD

- (ii) If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in sub-paragraph (e)(i) above are modified so that the total effective consideration per New Share initially receivable for such securities shall be less than 80% of the market price (calculated in accordance with the terms of the New Convertible Notes) at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by a fraction of which the numerator is the number of New Shares in issue immediately before the date of such modification plus the number of New Shares which the total effective consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price and of which the denominator is the number of New Shares in issue immediately before such date of modification plus the number of New Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion rate or subscription price.

Such adjustment shall become effective (if appropriate, retrospectively) as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purpose where it is adjusted to take account of rights or capitalisation issues and other events which have given rise to adjustment of the Conversion Price under this sub-section headed “Adjustments to the Conversion Price”, provided such corresponding adjustment has been made to the Conversion Price.

LETTER FROM THE BOARD

For the purpose of this sub-paragraph (e), the “**total effective consideration**” receivable for the securities issued shall be deemed to be the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights, and the “**total effective consideration per New Share**” initially receivable for such securities shall be such aggregate consideration divided by the number of New Shares to be issued upon (and assuming) such conversion at the initial conversion rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue.

- (f) If and whenever the Company shall issue wholly for cash any New Shares at a price per New Share which is less than 80% of the market price (calculated in accordance with the terms of the New Convertible Notes) at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of New Shares in issue immediately before the date of such announcement plus the number of New Shares which the aggregate amount payable for the issue would purchase at such market price and the denominator is the number of New Shares in issue immediately before the date of such announcement plus the number of New Shares so issued.

Such adjustment shall become effective on the date of the issue.

LETTER FROM THE BOARD

- (g) If and whenever the Company shall issue New Shares for the acquisition of any asset at a total effective consideration per New Share which is less than 80% of the market price (calculated in accordance with the terms of the New Convertible Notes) at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted in such manner as may be determined by a licensed financial adviser selected in accordance with the terms of the News Convertible Notes.

Such adjustment shall become effective on the date of the issue.

For the purpose of this sub-paragraph (g), “**total effective consideration**” shall be the aggregate consideration credited as being paid for such New Shares by the Company on acquisition of the relevant asset without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the “**total effective consideration per New Share**” shall be the total effective consideration divided by the number of New Shares issued as aforesaid.

LETTER FROM THE BOARD

- (h) If the Company or the noteholder determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances (whether or not referred to in sub-paragraphs (a) to (g) above) (even if the relevant event or circumstance is specifically excluded in the terms and conditions attached to the New Convertible Notes from the operation of sub-paragraphs (a) to (g) above), or that an adjustment should be made in a manner other than in accordance with sub-paragraphs (a) to (g) above, the Company or the noteholder may, at its own expense, request a licensed financial adviser selected in accordance with the terms of the New Convertible Notes, acting as expert, to determine as soon as practicable (i) what adjustment (if any) to the Conversion Price is fair and reasonable to take into account thereto and is appropriate to give the result which the licensed financial adviser considers in good faith to reflect the intentions of the provisions in this sub-section headed “Adjustments to the Conversion Price”; and (ii) the date on which such adjustment should take effect; and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this sub-paragraph (h) if the licensed financial adviser selected in accordance with the terms of the New Convertible Notes is so requested to make such a determination.

Conversion period : The noteholder shall have the right at any time during the period commencing on and excluding the seventh day after the date of issue of the New Convertible Notes up to and including the date which is seven (7) days prior to the maturity date of the New Convertible Notes to require the Company to convert the whole or any part (in authorised denominations) of the principal amount outstanding under the New Convertible Notes into New Conversion Shares at the Conversion Price subject to adjustments as described in the sub-section headed “Adjustments to the Conversion Price” above.

LETTER FROM THE BOARD

- Transferability : The New Convertible Notes (or any part thereof) may be transferred to any person with the prior written consent of the Company. Without prejudice to the aforesaid, any assignment and/or transfer of the New Convertible Notes is subject to (i) the Listing Rules for so long as the New Conversion Shares are listed on the Stock Exchange (and the rules of any other stock exchange on which the New Shares may be listed at the relevant time) and all applicable laws and regulations; and (ii) the approval of the Shareholders in a general meeting if so required and in compliance with the Listing Rules if such assignment and/or transfer is proposed to be made to a connected person of the Company.
- Restriction on the exercise rights of the New Convertible Notes : The conversion of the New Convertible Notes shall be restricted, if such conversion of the New Convertible Notes would render the New Shares held in public hands being less than the minimum public float of the New Shares required under the Listing Rules.
- Ranking : The New Convertible Notes (when issued) constitute direct, unconditional, unsubordinated, senior and unsecured obligations of the Company, and will rank *pari passu* without any preference among themselves and with all other present or future unconditional, unsecured and unsubordinated obligations of the Company other than those preferred by statute or applicable law.
- The New Conversion Shares will rank *pari passu* with, and carry the same rights in all respects with all other New Shares outstanding at the date of issuance and delivery and be entitled to all dividends and distributions the record date for which falls on a date on or after the date of allotment and issuance of the New Conversion Shares.

LETTER FROM THE BOARD

- Redemption : The Company shall redeem the New Convertible Notes on the maturity date at the redemption amount which is 100% of the principal amount of the New Convertible Notes then outstanding plus interest in respect of the principal amount of the New Convertible Notes being redeemed from (and including) the last day of the preceding interest period up to (but excluding) the maturity date of the New Convertible Notes, upon presentation of the original New Convertible Notes in accordance with the terms specified therein.
- Voting rights : The noteholder will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being a noteholder.
- Listing : The New Convertible Notes will not be listed on any stock exchange.
- Events of default : The New Convertible Notes contain customary events of default provisions which provide that, on the occurrence of any of the events of default as specified in the terms and conditions of the New Convertible Notes, the noteholder may give notice in writing to the Company that the principal amount and accrued interest of the New Convertible Notes then outstanding has, on the giving of such notice, become immediately due and payable.

The Subscription Price and the Conversion Price were determined on an arm's length basis between the Company and the Investor with reference to (i) the net current liabilities position of the Group as at 30 June 2015; (ii) the funds required for the continuing operation of the Group; and (iii) the fact that trading in the Shares on the Stock Exchange has been suspended since 4 December 2014.

Each of the Subscription Price of HK\$0.08 per Subscription Share and the Conversion Price of HK\$0.08 per New Conversion Share represents:

- (i) a discount of approximately 94.03% to the theoretical quoted price of HK\$1.34 per New Share (the quoted price of HK\$0.067 per Share has been adjusted to reflect the effects of the Capital Reorganisation as if it becomes effective) on 4 December 2014, being the last trading day before the suspension of trading in the Shares since 10:21 a.m. that day;

LETTER FROM THE BOARD

- (ii) a discount of approximately 10.11% to the audited equity attributable to owners of the Company per New Share of HK\$0.089 as at 30 June 2015 (based on the audited equity attributable to owners of the Company of approximately HK\$43,274,000 as at 30 June 2015 and 484,054,336 New Shares to be in issue upon the Capital Reorganisation becoming effective); and
- (iii) a discount of approximately 91.30% to the theoretical ex-rights price of HK\$0.92 calculated based on the theoretical quoted price of HK\$1.34 per New Share as derived in (i) above.

Taking into account (i) the trading in the Shares on the Stock Exchange has been suspended for more than a year that the quoted price of the Shares prior to the suspension of trading is not reflective of the current financial condition and valuation of the Company and hence, does not serve a fair basis for the evaluation of the Subscription Price and the Conversion Price; (ii) both the Subscription Price and the Conversion Price represent a discount of approximately 10.11% to the audited equity attributable to owners of the Company per New Share of HK\$0.089 as at 30 June 2015; and (iii) the Subscription Price and the Conversion Price are the same as the Offer Price of HK\$0.08 per Offer Share, i.e. no more favourable than that to be paid by the existing Shareholders should they wish to take up the Offer Shares under the Open Offer, the Directors are of the view that the Subscription Price and the Conversion Price are fair and reasonable.

Conditions precedent to the Subscription Agreements

Completion of the Subscription Agreements and the payments under them are conditional upon:

- (i) the passing in compliance with the Listing Rules and the Takeovers Code by the Independent Shareholders at the EGM (i) authorising the performance of the transactions contemplated under the respective Subscription Agreements, including the issue of the Subscription Shares in respect of the Share Subscription Agreement and the issue of the New Convertible Notes and the New Conversion Shares which fall to be issued and allotted upon exercise of the conversion rights attached to the New Convertible Notes in respect of the New CN Subscription Agreement; (ii) authorising the performance of the transactions contemplated under the respective Settlement Agreements; and (iii) approving the Whitewash Waiver and the Special Deals;
- (ii) the Listing Committee having granted (either unconditionally, or subject only to conditions to which the Company and the Investor both acting reasonably do not object for the Share Subscription or subject only to conditions acceptable to the Investor for the New CN Subscription, as the case may be) listing of and permission to deal in the Subscription Shares and/or the New Conversion Shares;

LETTER FROM THE BOARD

- (iii) the warranties made by the Company under the respective Subscription Agreements being true, complete and accurate and not misleading in any material respect when made and shall be true, complete and accurate, and not misleading in any material respect as at the completion of the Share Subscription, or the New CN Subscription, as the case may be, as if made at such time;
- (iv) the Stock Exchange having indicated that trading in the Shares will be resumed subject to such conditions as may be imposed by the Stock Exchange;
- (v) completion of the Capital Reorganisation;
- (vi) the Whitewash Waiver having been granted by the Executive and the satisfaction of any conditions attached thereto, if any;
- (vii) the Executive granting its consent to the Special Deals and the satisfaction of any conditions attached thereto, if any;
- (viii) in respect of the Share Subscription Agreement, completion at or about the same time of the Underwriting Agreement and the New CN Subscription Agreement;
- (ix) in respect of the Share Subscription Agreement, if required, the High Court granting its approval of the Share Subscription Agreement;
- (x) in respect of the New CN Subscription Agreement, completion at or about the same time of the Underwriting Agreement and the Share Subscription Agreement; and
- (xi) in respect of the New CN Subscription Agreement, if required, the High Court granting its approval of the New CN Subscription Agreement.

For the avoidance of doubt, save for condition (iii) above, which could be waived by the Investor at its discretion, none of conditions precedent to the Subscription Agreements is capable of being waived. If any of the conditions above have not been fulfilled or waived, as the case may be, on or before 31 December 2016 (or such later date as may be agreed by the parties to the respective Subscription Agreements in writing), such Subscription Agreement(s), save for the corresponding clauses in relation to the delivery of notices, costs and expenses associated with, general provisions, counterparts and the governing law and jurisdiction as specified in the respective Subscription Agreements, shall lapse immediately thereafter and be of no further effect and neither party to such Subscription Agreement(s) shall have any claim against or liability or obligation to the other party under such Subscription Agreement(s).

LETTER FROM THE BOARD

Completion of the Subscription Agreements

Subject to the fulfilment or waiver, as the case may be, of the conditions precedent to the respective Subscription Agreements, completion of each of the Share Subscription and the New CN Subscription shall take place on the Share Completion Date and the New CN Completion Date respectively at such place and time to be agreed between the Company and the Investor in writing.

The Loans

On 26 June 2015 and 31 May 2016, the Company entered into the Loan Facility Agreement and the Amendment Letter, respectively, with the Investor to provide a term loan facility of up to HK\$212,813,600 to the Company, of which HK\$9,813,600 would be deposited into BCFC's account with HSBC Bank plc upon which the Company will procure (i) BCFC to enter into certain security documents; and (ii) HSBC Bank plc to release certain security documents signed by BCFC in favour of HSBC Bank plc and other security interest securing BCFC's obligations under the HSBC Facility and the remaining amount of up to HK\$203,000,000 would be used for funding the operation of BCP and BCFC as and when required.

The Loans bear interest at a rate of 8% per annum and are secured by (i) a first fixed legal charge over the property owned by BCFC with a carrying value of approximately GBP19,600,000, which is equivalent to approximately HK\$239,000,000 based on the approximate exchange rate of GBP1.00 to HK\$12.19 as at 26 June 2015 in favour of the Investor; (ii) a first floating charge over all the assets, goodwill, undertaking and uncalled capital, both present and future granted or to be granted by BCFC in favour of the Investor; and (iii) a first fixed charge over all book and other debts, both present and future granted or to be granted by BCFC in favour of the Investor. As at the Latest Practicable Date, the drawn down amount of the Loans was approximately HK\$172,113,600.

In consideration of the entering into of the New CN Subscription Agreement, the Company and the Investor mutually agreed to partially set-off their mutual debts and liabilities against each other under the New CN Subscription Agreement and the Loan Facility Agreement respectively. In order to facilitate the aforesaid, on 31 May 2016, the Company, BCFC and the Investor entered into the Amendment Letter to amend certain terms of the Loan Facility Agreement including, among others, the amendment to the drawdown period of the terms of the Loans of being "the earlier of (a) 31 May 2016, and (b) the date on which the facility is fully utilised, cancelled or terminated under the Loan Facility Agreement" with the "earlier of (a) 31 May 2017, and (b) the date on which the facility is fully utilised, cancelled or terminated under the Loan Facility Agreement", and an increment in the facility amount of HK\$50,000,000. Pursuant to the Amendment Letter, at

LETTER FROM THE BOARD

the completion of the New CN Subscription, the consideration for the New CN Subscription that shall be paid by the Investor to the Company in the amount of HK\$150,000,000 shall be settled by way of settling off an equivalent amount against the principal amount of the Loans owing by the Company to the Investor at such time.

Reasons for the Open Offer, the Subscriptions and the Loans and the use of proceeds

The Company is an investment holding company, together with its subsidiaries, are principally engaged in the operation of a professional football club in the United Kingdom. The Open Offer and the Subscriptions form part of the Resumption Proposal seeking the resumption of trading in the Shares, which has been suspended since 4 December 2014. The total gross proceeds from the Open Offer and the Subscriptions will amount to approximately HK\$419,362,000 and the price (net of the estimated expense of approximately HK\$5,000,000) is approximately HK\$0.079 per Offer Share, Subscription Share or New Conversion Share, after excluding the maximum amount of the consideration for the New CN Subscription to be offset against the drawn down amount of the Loans as at the completion of the New CN Subscription of HK\$150,000,000, the net proceeds from the Open Offer and the Subscriptions (after deducting the estimated expenses) will amount to approximately HK\$264,362,000. It is intended that (i) as to approximately HK\$120 million will be used to satisfy the annual working capital requirement of BCFC for part of season 2016/2017 and the entire season 2017/2018 (which shall primarily be used to cover the shortfall of operating cash flows of BCFC comprising mainly expenditures on wages and benefits of football players, salaries of football club management and staff, and running costs of the football stadium and match expenses representing approximately 32%, approximately 30% and approximately 26% respectively of the total estimated operating expenditure of BCFC for the two seasons); (ii) as to approximately HK\$24 million will be used to finance the expenses incurred from the operations in Hong Kong (which shall primarily be used to cover the operating expenses of the Company's head office in Hong Kong comprising mainly expenditures on salaries of staff and directors of the Company, administrative expenses of the Company, running costs of the Hong Kong office representing approximately 37%, approximately 32% and approximately 5% respectively of the total estimated expenditure of the Hong Kong operations for the period up till June 2018); and (iii) as to approximately HK\$120 million will be used to, when considered appropriate, acquire additional talented players who are expected to make contribution to and help enhancing the competitiveness of the team significantly so as to assist the team to reach the goal of being promoted to the Premier League in the future. It is anticipated that such amount of HK\$120 million would allow BCFC to recruit around eight to ten talented players for future football seasons. Assuming that the Proposed Restructuring will be completed and hence the proceeds from the Open Offer and the Subscriptions will be received before the end of October 2016, BCFC could utilise the proceeds received to recruit additional players during the opening of the transfer window in January 2017.

LETTER FROM THE BOARD

Depending on the performance of the team as a whole and of individual players during the first part of season 2016/2017, BCFC will identify talented players for various positions, i.e. strikers, midfielders, defenders and goalkeepers when considered appropriate in order to strengthen the competitiveness of the team. It is also expected that upon completion of the Proposed Restructuring, the Company would be able to meet the English Football League's funding requirement as well as having sufficient capital for boosting the performance of the team with the aim to get promoted to the Premier League.

As at the Latest Practicable Date, no potential investment opportunity has been identified. The total funding needs of approximately HK\$144 million up till the end of season 2017/2018, i.e. June 2018, was estimated by the Board after taking into account the historical annual working capital requirement of BCFC and expenses incurred from the Hong Kong operations, and together with the estimated funding of HK\$120 million required for the implementation of the aforesaid recruitment plan, shall be satisfied by the total net proceeds from the Open Offer and the Subscriptions. While the Company has no plan to conduct further fund raising activities given that there is no additional funding needs for the next 12 months following Resumption based on the Board's latest estimates, in particular, the recruitment plan as disclosed above, the Board will closely monitor the performance of the team and subject to the performance of the team, BCFC may, when considered appropriate, recruit additional players with higher budgets than initially anticipated who could potentially assist the team to get promoted to the Premier League in the future, and funding needs may therefore arise. In view of the net current liabilities position of the Group as at 30 June 2015 and the funds required for the continuing operation of the Group, it is considered that the net proceeds from the Open Offer and the Subscriptions will substantially improve the capital base and the financial and liquidity position of the Group.

On 12 March 2015, the Receivers made a voluntary announcement informing the Shareholders and the public that the Receivers are open to a wide spectrum of options to preserve the value of the Group as a whole. Subsequently, a total of seven indicative non-binding offers were received from various interested parties. In view of the financial and liquidity position of the Group, the immediate need of funding for the operation of BCFC and obligation to meet the rules and regulations of the English Football League, factors including (i) whether such offers involve the acquisition of the Company and BCFC as a whole which could better preserve the value of the Group instead of the acquisition of BCFC only; (ii) indicative price on the estimated value of the Company and/or BCFC; (iii) whether such offers involve provision of immediate funding to the Group; and (iv) possession of experience in corporate distress and restructuring of such interested parties, were considered, and the indicative non-binding offer from the Investor was accepted by

LETTER FROM THE BOARD

the Receivers. Details of the selection are set out in the announcement of the Company dated 6 November 2015. In respect of the selection of the Underwriter for the Open Offer, the Company had previously negotiated with three securities firms in respect of the Open Offer and the Underwriter has been selected as its commission rate charging to the Company for the underwriting is the lowest.

Upon completion of the Proposed Restructuring and assuming full conversion of the Existing Convertible Notes and the New Convertible Notes, it is expected that there will be a potential dilution effect on the existing Shareholders' interests of approximately 83.30% assuming nil subscription by the existing Shareholders under the Open Offer, whereas the corresponding dilution effect assuming full subscription by the existing Shareholders under the Open Offer will be approximately 79.45%.

When determining the structure of the fund raising exercises, in particular, whether the Open Offer be included in the Proposed Restructuring, the Company has taken into account that (i) the Open Offer regardless of its scale could in any event provide an opportunity to the existing Shareholders to participate in the potential growth of the Group upon completion of the Proposed Restructuring; (ii) the immediate and future funding needs of the Group to support its operations and the willingness of the Investor to provide such fundings during the negotiations of the terms of the Subscription Agreements with the Company, which resulted in the size of the Subscriptions being relatively larger than the Open Offer; and (iii) the uncertainties in being able to identify an underwriter for the Open Offer offering favourable terms to the Company in light of the prolonged suspension in the trading of the Shares, the loss making results and the net current liabilities position of the Group, and if the Open Offer will involve a larger fund raising size, it is expected that the difficulty would further increase, in short, owing to the uncertainties involve in identifying an underwriter for a large size Open Offer, and therefore the fund raising size of the Open Offer is relatively smaller as compared with that of the Subscriptions. In setting the Subscription Price, the Conversion Price and the Offer Price, the Company has made reference to the Company's loss making results and consolidated net liabilities position as at 31 December 2015, where each of the Subscription Price, the Conversion Price and the Offer Price represents a premium over the unaudited capital deficiency attributable to owners of the Company of approximately HK\$0.051 per New Share as at 31 December 2015 (based on the unaudited capital deficiency attributable to owners of the Company of approximately HK\$24.68 million as at 31 December 2015 and 484,054,336 New Shares to be in issue upon the Capital Reorganisation becoming effective). In addition, the Subscription Price of HK\$0.08 per Subscription Share and the Conversion Price of HK\$0.08 per New Conversion Share are the same as the Offer Price of HK\$0.08 per Offer Share, i.e. no more favourable than that to be paid by the existing Shareholders should they so wish to take up the Offer Shares under the Open Offer. Notwithstanding the dilution impact to the existing Shareholders upon completion of the Proposed Restructuring, the

LETTER FROM THE BOARD

terms of the Open Offer and the Subscriptions were determined based on (i) the immediate and future funding needs for the operations of the Group and for the implementation of the aforesaid recruitment plan of BCFC; (ii) the rationale of fund raising size of each of the Open Offer and the Subscriptions as elaborated above; and (iii) the setting of the Offer Price of HK\$0.08 being in line with the Subscription Price and the Conversion Price, which represents a premium over the consolidated net liabilities per New Share as at 31 December 2015. Based on the above, the Directors are of the view that the terms of the Open Offer including the Underwriting Agreement, and the Subscriptions, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Information on the Investor

The Investor is a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Wealthy Associates International Limited, a company incorporated in the British Virgin Islands with limited liability, which in turn is wholly owned by Mr. Suen.

Mr. Suen, aged 55, holds a Master of Business Administration degree from the University of South Australia. Mr. Suen has extensive experience in strategic planning and corporate management of business enterprises in Hong Kong and the PRC. Mr. Suen is an executive director and the chairman of, and a controlling shareholder indirectly holding approximately 31.30% of the issued share capital in Enviro Energy. Mr. Suen is also indirectly holding approximately 9.89% of the issued share capital in China Strategic. The shares of both Enviro Energy and China Strategic are listed on the Main Board of the Stock Exchange. Mr. Suen is also indirectly holding approximately 22.89% of the issued share capital of Courage Marine Group Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code:1145) and the Singapore Exchange Securities Trading Limited (Singapore stock code: ATL.SI).

Intention of the Investor regarding the Group

The Investor intends to continue with the existing business of the Group upon completion of the Proposed Restructuring and will assist the Group to identify suitable business opportunities to broaden its income streams.

Upon completion of the Subscriptions, the Investor will conduct a detailed review on the business operations and financial position of the Group for the purpose of formulating appropriate business plans and strategies which may include asset acquisitions, business diversification, business rationalisation, business divestment and/or asset disposals in order to enhance the long-term growth potential of the Group. As at the Latest Practicable Date,

LETTER FROM THE BOARD

the Investor has no discussion, negotiation and/or arrangement in relation to the aforesaid asset acquisitions. Subject to completion of a detailed review of the existing business operations of the Group and formulation of an appropriate business plan for the Group, it is the intention of the Investor to further improve the existing business operation of the Group by taking advantage of the business experience and network of the Investor. The Investor and its ultimate beneficial owners have no intention or plan to dispose of (i) its interests in the Company which renders the Investor ceasing to be a controlling shareholder of the Company (as defined in the Listing Rules); or (ii) the Group's controlling interests in BCFC within 24 months after the Resumption. As at the Latest Practicable Date, the Investor had no intention to introduce any major changes to the existing business of the Group, to re-deploy any fixed assets of the Group, or to discontinue the employment of the employees of the Group other than in the ordinary course of business of the Group.

The Investor undertook to the Company that the Investor will provide the necessary financial support to the Company in order to ensure that the Company has sufficient working capital for its operation in the next 18 months after the Resumption and in the event that the Company does not have sufficient working capital, the Investor will not request repayment or require redemption from the Company in respect of the New Convertible Notes.

It is the intention of the Investor to maintain the listing status of the Company on the Stock Exchange after completion of the Proposed Restructuring. Each of the Investor and the Directors will take appropriate steps as soon as possible following the completion of the Proposed Restructuring to ensure that not less than 25% of the total number of New Shares will be held by the public (details of which are set out in the section headed "Placing down to restore public float" below).

Proposed change of composition of the Board

The Board currently consists of three executive Directors and three independent non-executive Directors. It is intended that all existing Directors shall resign on the earliest date permitted under the Takeovers Code. The Investor may nominate its representative(s) to become new Directors upon completion of the Subscription Agreements. Further announcement(s) will be made by the Company as and when there is a change in the composition of the Board in compliance with the Takeovers Code and the Listing Rules.

For BCFC to comply with the requirement of the English Football League, prior approval on the appointment of new Directors shall be obtained from the English Football League. As at the Latest Practicable Date, the Investor is in the course of preparing the list of candidates to be appointed as Directors to the English Football League seeking for its approval. It is expected that details of the proposed Directors will be included in the Prospectus Documents.

LETTER FROM THE BOARD

THE SETTLEMENT AGREEMENTS

In view of the outstanding legal proceedings involving the Company, (i) on 8 March 2016, the Company and BCFC entered into the CY Settlement Agreement with Mr. Yeung and RY; (ii) on 12 April 2016, the Company entered into the UC Settlement Agreement with U-Continent; and (iii) on 4 May 2016, the Company and BCFC entered into the PP Settlement Agreement with Mr. Pannu, Asia Rays and Amazing Top.

Background of the CY Settlement Agreement

On or about 20 December 2013, the Company and Mr. Yeung entered into the Debt Capitalisation Agreement and the Yeung Agreement pursuant to which in substance the Company agreed to capitalise a debt of HK\$193,500,000 owed by the Company to Mr. Yeung by issuing to Mr. Yeung the CY Convertible Notes in the principal amount of HK\$193,500,000. As at the date of the CY Settlement Agreement, Mr. Yeung had converted HK\$81,000,000 in principal of the CY Convertible Notes into 2,700,000,000 Shares. The maturity date of the remaining unconverted CY Convertible Notes in the aggregate principal amount of HK\$112,500,000 was 4 February 2016.

By a writ of summons dated 13 July 2015, the Company and BCFC commenced legal proceedings against Mr. Yeung under HCA 1590/2015 claiming a total of more than HK\$100,000,000 from Mr. Yeung for various breaches of duties whilst he was a director of the Company and BCFC.

Principal terms of the CY Settlement Agreement

On 8 March 2016, the Company, together with BCFC, entered into the CY Settlement Agreement with Mr. Yeung and RY such that:

- (i) subject to and conditional upon the fulfilment of the conditions precedent thereto as set out in the section headed “Conditions precedent to the CY Settlement Agreement” below, the Company agreed to extend the CYCN Maturity Date Extension;
- (ii) Mr. Yeung irrevocably and unconditionally undertakes to the Company that he shall not sell or transfer or otherwise dispose of any of his legal or beneficial interest or any other right, title, benefit or interest of whatsoever nature therein or thereto in respect of the remaining unconverted CY Convertible Notes in whole or in parts, or enter into any agreement or commitment to give or create any of the foregoing at any time before the Shares resume trading on the Stock Exchange; and

LETTER FROM THE BOARD

- (iii) Mr. Yeung irrevocably and unconditionally undertakes to the Company that he shall not exercise any conversion rights under the remaining unconverted CY Convertible Notes at any time before the Shares resume trading on the Stock Exchange.

Within 7 Business Days from the date of fulfilling the conditions precedent (i), (ii) and (v) as set out in the section headed “Conditions precedent to the CY Settlement Agreement” below whichever is later, all parties concerned shall sign a consent summons for Mr. Yeung to withdraw: (a) his pending appeal of the Receivership Order in the High Court; and (b) his objection to the Company’s application in the Grand Court for recognition of the Receivership Order, in order for the Company to obtain the sanctioning by the Grand Court of the Proposed Restructuring and for trading in the Shares on the Stock Exchange to resume.

Upon the signing of the CY Settlement Agreement, the parties thereto have jointly signed and filed, and have done all other necessary acts to cause or procure all parties named in the following proceedings to sign and file consent summonses at the High Court to apply for an interim stay of the following proceedings:

- (i) HCA 1590/2015; and
- (ii) Mr. Yeung’s pending appeal of the Receivership Order in the High Court under High Court Miscellaneous Proceedings No. 395 of 2015.

As to the application in the Grand Court for recognition of the Receivership Order under FSD 139/2015, the Company has obtained legal advice from the Cayman Islands lawyers that it is not necessary to apply for an interim stay because the Grand Court has already ordered that the application be adjourned *sine die* pending Mr. Yeung’s disposal of the appeal of the continuation order in respect of the Receivership Order dated 28 August 2015 in the Hong Kong proceedings. As such, after the signing of the CY Settlement Agreement, no steps have been taken to apply for an interim stay of FSD 139/2015.

Within 7 Business Days from the date of fulfilling the conditions precedent (i), (ii) and (v) as set out in the section headed “Conditions precedent to the CY Settlement Agreement” below whichever is later:

- (i) all parties concerned shall sign a consent summons for the Company to withdraw its pending application in the Grand Court for recognition of the Receivership Order;
- (ii) the Company and BCFC agree to irrevocably fully and forever release and discharge Mr. Yeung and RY from any actions, claims, causes of action, rights, proceedings, demands and set-offs, whether in law or in equity, of whatever nature and however arising, whether in the jurisdiction of Hong Kong or any other, whether or not known to the parties, that the Company and/or BCFC have or may have against Mr. Yeung and/or RY as of the date of the CY Settlement Agreement; and

LETTER FROM THE BOARD

- (iii) the Company and BCFC shall take steps to discontinue HCA 1590/2015 as against Mr. Yeung and any action against RY (if any).

Conditions precedent to the CY Settlement Agreement

The CY Settlement Agreement is conditional upon:

- (i) the approval of the CY Settlement Agreement and any other transactions to give effect to the CYCN Maturity Date Extension by the Independent Shareholders and the Independent Shareholders authorising any one Director to execute any documentation for such extensions;
- (ii) the approval of the CY Settlement Agreement by the High Court;
- (iii) the sanctioning by the Grand Court of the Capital Reduction;
- (iv) the Shares resume trading on the Stock Exchange; and
- (v) the Independent Shareholders passing at the EGM resolutions approving any special deal incidental to matters referred to in the CY Settlement Agreement in accordance with Rule 25 of the Takeovers Code (if any) arising or as a result of the entering into of the CY Settlement Agreement and consent from the Executive having been obtained in relation to the Special Deal, if applicable.

In the event that any of the above conditions precedent set out in this section headed “Conditions precedent to the CY Settlement Agreement” is not met, the CYCN Maturity Date Extension shall automatically become null and void and shall have no legal effect whatsoever and the parties to the CY Settlement Agreement shall be fully discharged from all and any obligations and liabilities thereunder.

Arrangement for the outstanding debts of the Company due to Mr. Yeung

Prior to the entering into of the CY Settlement Agreement, (i) the Company was indebted to Mr. Yeung the Debt in the aggregate amount of HK\$9,028,399.06, comprising accrued directors’ fees in the amount of HK\$3,457,142.86 and other amounts due to Mr. Yeung in the amount of HK\$5,571,256.20, which were both currently due for repayment; and (ii) the Company commenced the legal proceedings against Mr. Yeung through HCA 1590/2015 claiming a total of more than HK\$100,000,000.

LETTER FROM THE BOARD

Pursuant to the terms of the CY Settlement Agreement, the Company and BCFC shall take steps to discontinue HCA 1590/2015 against Mr. Yeung and any action against RY and on the other hand, Mr. Yeung agreed that he shall not exercise any conversion rights under the remaining unconverted CY Convertible Notes at any time before the Shares resume trading on the Stock Exchange, and withdraw his pending appeal of the Receivership Order in the High Court and his objection to the Company's application in the Grand Court for recognition of the Receivership Order. Since any action which would result in the diminishment of the asset owned by Mr. Yeung would require the application for variation of the restraint order and the amended restraint order made by Mrs. Justice V Bokhary on 6 July 2011 and 29 July 2011, respectively, in High Court Action No. 1254 of 2011, the CY Settlement Agreement currently makes no provision for the discharge of the Debt. In order to avoid any potential delay in the implementation of the Resumption Proposal arising from any discharge of the Debt and in consideration of the entering into of the CY Settlement Agreement without provision for the discharge of the Debt by the Company, the Investor undertook to the Company that the Investor will pay the Debt for the Company in full (subject to the CY Settlement Agreement being effective) so that the Company would not be liable to pay out of its own pocket if the repayment of the Debt is demanded and no cash outflow by the Company will be involved.

Background of the UC Settlement Agreement

Pursuant to the U-Continent First Agreement and the U-Continent Second Agreement entered into between the Company and U-Continent dated 12 November 2013 and 19 November 2013 respectively, the Company agreed to issue to U-Continent zero interest unsecured UC First Convertible Notes in the principal amount of HK\$50,000,000 and UC Second Convertible Notes in the principal amount of HK\$125,000,000, respectively. The U-Continent First Agreement and the first tranche of the U-Continent Second Agreement in the total principal amount of HK\$155,000,000 were completed on 5 February 2014. The second tranche of the U-Continent Second Agreement in the principal amount of HK\$20,000,000 was completed on 14 April 2014.

U-Continent has converted HK\$10,000,000 in principal of the UC First Convertible Notes and HK\$45,000,000 in principal of the UC Second Convertible Notes into 333,333,333 Shares and 1,500,000,000 Shares in the Company respectively, in aggregate representing approximately 18.94% of the issued share capital of the Company as at the Latest Practicable Date. The maturity dates of the remaining unconverted UC First Convertible Notes in the balance amount of HK\$40,000,000 in principal, the first tranche of the UC Second Convertible Notes remaining unconverted in the balance amount of HK\$60,000,000 in principal and the second tranche of the UC Second Convertible Notes in the amount of HK\$20,000,000 in principal were 4 February 2016, 4 February 2016 and 13 April 2016 respectively.

LETTER FROM THE BOARD

Reference is made to the announcement of the Company dated 21 July 2015 in respect of a writ of summons against U-Continent. As announced therein, U-Continent represented that at the time of entering into the U-Continent Agreements and up until the time of completion of the U-Continent Agreements, U-Continent was independent from and not acting in concert with any of the directors or substantial shareholders of the Company. At the material times, the Company considered that alleged misrepresentations may be given by U-Continent at the time of entering into and/or completion of the U-Continent Agreements as the Company considered that U-Continent shall be deemed as a party acting in concert with Mr. Yeung and that Mr. Yeung was the Company's substantial shareholder and executive director. By way of a letter dated 20 July 2015, the Company had rescinded the U-Continent Agreements and on 21 July 2015 issued a writ against U-Continent under High Court Action No. 1648 of 2015 seeking, among other things, a declaration that it had validly rescinded the U-Continent Agreements and an order compelling U-Continent to return the converted Shares to the Company. There was no further evidence proving U-Continent being a party acting in concert with Mr. Yeung based on the Company's latest observations and findings. Further, subsequent to the publication of the Announcement, the Company received a letter from the solicitor of Mr. Yeung denying any concert party relationship between Mr. Yeung and U-Continent as alleged by the Company. The Company's allegation that a concert party relationship exists between Mr. Yeung and U-Continent cannot be conclusively proved.

In the absence of any further evidence proving any concert party allegation and the subsequent confirmation received from the solicitor of Mr. Yeung denying any concert party relationship as alleged by the Company, the Company's claim is by no means straightforward as its allegation is at a very early stage and the writ has not been served on U-Continent pending further legal advice; and Mr. Yeung will strongly refute such concert party allegation. Given the fact that it will definitely be costly and difficult to pursue the claim to the end, the Receivers decided that the most important task at hand is to enable the Company to implement the Proposed Restructuring in the interests of the Company and Shareholders and therefore to stay any further action while negotiating possible settlement with U-Continent (please refer to section headed "Reasons for the entering into of the Settlement Agreements").

Principal terms of the UC Settlement Agreement

On 12 April 2016, the Company entered into the UC Settlement Agreement with U-Continent such that:

- (i) subject to and conditional upon the fulfilment of all the conditions precedent as set out in the section headed "Conditions precedent to the UC Settlement Agreement" below, the Company agrees to the UCCN Maturity Date Extension;

LETTER FROM THE BOARD

- (ii) U-Continent irrevocably and unconditionally undertakes to the Company that it shall not sell or transfer or otherwise dispose of any of its legal or beneficial interest or any other right, title, benefit or interest of whatsoever nature therein or thereto in respect of the unconverted UC Convertible Notes in whole or in parts, or enter into any agreement or commitment to give or create any of the foregoing at any time before the Shares resume trading on the Stock Exchange; and
- (iii) U-Continent irrevocably and unconditionally undertakes to the Company that it shall not exercise any conversion rights under the UC Convertible Notes at any time before the Shares resume trading on the Stock Exchange.

Pursuant to the terms of the UC Settlement Agreement, the Company and U-Continent shall, within seven (7) Business Days, jointly sign and file consent summons at the High Court to apply for an interim stay of the High Court Action No. 1648 of 2015 with liberty for both and/or either of the parties to restore. As the Company has not taken any steps to serve the writ on U-Continent and U-Continent is not in a position to sign any consent summons for interim stay, the Company provided an undertaking by way of a letter dated 15 April 2016 that the Company would not serve the writ against U-Continent (subject to certain obligations of the Company and U-Continent set out in the UC Settlement Agreement). On 26 April 2016, U-Continent's solicitors replied saying that U-Continent is agreeable to the Company's provision of the undertaking.

Within 7 Business Days from the date of fulfilling the conditions precedent (i), (ii) and (v) as set out in the section headed "Conditions precedent to the UC Settlement Agreement" below whichever is later:

- (i) the Company shall waive, and fully and forever release and discharge U-Continent and its Associates from, all actions, claims, causes of action, rights, demands, costs and liabilities of whatever nature, whether in the jurisdiction of Hong Kong or any other, whether actual or contingent, contained in the High Court Action No. 1648 of 2015 and/or in connection with or arising out of the subject matters of the High Court Action No. 1648 of 2015;
- (ii) the Company shall file and serve a notice of discontinuance under the High Court Action No. 1648 of 2015, with each party shall bear its own legal costs notwithstanding any previous costs order or the applicable Rules of Court to the contrary; and
- (iii) U-Continent agrees to irrevocably fully and forever release and discharge the Company and its Associates from any actions, claims, causes of action, rights, proceedings, demands and set-offs, whether in law or in equity, of whatever nature and however arising, whether in the jurisdiction of Hong Kong or any other, that U-Continent and/or its Associates have ever had or may have against the Company and/or its Associates in respect of the Company's rescission of the U-Continent Agreements.

LETTER FROM THE BOARD

Conditions precedent to the UC Settlement Agreement

The UC Settlement Agreement is conditional upon:

- (i) the approval of the UC Settlement Agreement in respect of the UCCN Maturity Date Extension by the Independent Shareholders and the Independent Shareholders authorising any one Director to execute any documentation for such extensions;
- (ii) the approval of the UC Settlement Agreement by the High Court;
- (iii) the sanctioning by the Grand Court of the Capital Reduction;
- (iv) the Shares resume trading on the Stock Exchange; and
- (v) the Independent Shareholders passing at the EGM resolutions approving any special deal incidental to matters referred to in the UC Settlement Agreement in accordance with Rule 25 of the Takeovers Code (if any) arising or as a result of the entering into of the UC Settlement Agreement and consent from the Executive in relation to the Special Deal, if applicable.

In the event that any of the above conditions precedent set out in this section headed “Conditions precedent to the UC Settlement Agreement”, where applicable, is not met by 31 October 2016 or such other date as the Company and U-Continent may agree in writing, the UCCN Maturity Date Extension shall automatically become null and void and shall have no legal effect whatsoever and the Company and U-Continent shall be fully discharged from all and any obligations and liabilities under the UC Settlement Agreement.

Background of the PP Settlement Agreement

Reference is made to the interim report of the Company dated 26 February 2016 summarising the latest status of LBTC 1470/2015 now designated as HCA 1355/2015 commenced by Mr. Pannu against the Company and HCA 1590/2015 commenced by the Company and BCFC against Asia Rays and Amazing Top.

Mr. Pannu is a former executive director of the Company, a former director of BCP and BCFC, and the sole registered shareholder of Asia Rays, Amazing Top and BCLFC. As at the date of the Company’s announcement in respect of its entry into the PP Settlement Agreement, Mr. Pannu was interested in 1,500,000 Shares.

On 11 May 2015, Mr. Pannu commenced an action against the Company in the Labour Tribunal of Hong Kong under LBTC 1470/2015 claiming approximately HK\$3.6 million (plus interest) from the Company for alleged wrongful dismissal of him as a director of the Company. The action was subsequently transferred to the High Court and designated as HCA 1355/2015, whereupon Mr. Pannu added further claims of unspecified quantum against the Company for alleged libel. By way of a consent summons filed on 20 April 2016 pending consent by the High Court, the parties have applied for a stay of proceedings under HCA 1355/2015 pending settlement negotiations. The summons was sealed by the High Court on 12 May 2016.

LETTER FROM THE BOARD

By writ of summons dated 13 July 2015, the Company and BCFC commenced legal proceedings against Asia Rays and Amazing Top under HCA 1590/2015 claiming approximately HK\$3.7 million and GBP1.5 million from Asia Rays and GBP180,000 from Amazing Top for monies alleged wrongfully received from the Company and BCFC. By way of summons dated 25 September 2015, the Company and BCFC applied for leave to add Mr. Pannu as a defendant to HCA 1590/2015, claiming approximately HK\$11 million and GBP4.5 million from Mr. Pannu for various alleged breaches of duties whilst he was a director of the Company and BCFC. By way of summons dated 15 October 2015, the Company and BCFC applied to file an amended writ of summons and amended statement of claims related to HCA 1590/2015. By way of a consent summons sealed by the High Court on 15 April 2016, argument for HCA 1590/2015, which has been adjourned to 13 April 2016, has been adjourned *sine die* and proceedings against Asia Rays and Amazing Top have been stayed.

Principal terms of the PP Settlement Agreement

Subject to and conditional upon the fulfilment of the conditions precedent as set out in the section headed “Conditions precedent to the PP Settlement Agreement” below:

- (i) the Company and BCFC and/or their Associates agree to fully and forever release and discharge Mr. Pannu, Asia Rays and Amazing Top and/or their Associates from any actions, claims, causes of action, rights, proceedings, demands and set-offs, whether in law or in equity, of whatever nature and however arising, whether in the jurisdiction of Hong Kong or any other, whether or not known to the parties, that the Company and/or BCFC and/or their Associates have against Mr. Pannu, Asia Rays and/or Amazing Top and/or their Associates as of the date of the PP Settlement Agreement, including but not limited to all claims brought or intended to be brought under HCA 1590/2015 or by way of counterclaim under HCA 1355/2015 and all claims asserted in letters before action and statutory demands issued up to the date of the PP Settlement Agreement; and
- (ii) Mr. Pannu, Asia Rays, Amazing Top and/or their Associates agree to fully and forever release and discharge the Company and/or its Associates from any actions, claims, causes of action, rights, proceedings, demands and set-offs, whether in law or in equity, of whatever nature and however arising, whether in the jurisdiction of Hong Kong or any other, whether or not known to the parties, that Mr. Pannu, Asia Rays and Amazing Top and/or their Associates have or may have against the Company and/or its Associates as at the date of the PP Settlement Agreement, including but not limited to all claims brought under HCA 1355/2015, LBTC 1470/2015 and all claims asserted in letters before action and statutory demands issued up to the date of the PP Settlement Agreement.

LETTER FROM THE BOARD

Within 14 days following fulfilment of the conditions precedent as set out in the section headed “Conditions precedent to the PP Settlement Agreement” below:

- (a) the Company and BCFC shall sign and file, and do all other necessary acts to cause or procure all parties named under HCA 1590/2015 to sign and file, consent summons at the High Court as soon as practicable to discontinue HCA 1590/2015 as against, Mr. Pannu if he is joined as a party and, Asia Rays and Amazing Top; and
- (b) Mr. Pannu shall sign and file, and do all other necessary acts to cause or procure all parties named under HCA 1355/2015 to sign and file, consent summons at the High Court as soon as practicable to discontinue HCA 1355/2015.

In the event that any of the conditions precedent as set out in the section headed “Conditions precedent to the PP Settlement Agreement” below is not met, the obligations of each party to the PP Settlement Agreement described above shall automatically become null and void and shall have no legal effect whatsoever and the parties to the PP Settlement Agreement shall be fully discharged from all and any obligations and liabilities thereunder.

Mr. Pannu has, within 14 Business Days of the signing of the PP Settlement Agreement, caused and executed documents to transfer his entire shareholding in BCLFC to BCFC in escrow for the same to be released to the Company or its nominee within 14 days of fulfillment of the conditions precedent as set out in the section headed “Conditions precedent to the PP Settlement Agreement” below.

Conditions precedent to the PP Settlement Agreement

The PP Settlement Agreement is conditional upon:

- (i) the approval of the PP Settlement Agreement by the High Court; and
- (ii) (A) obtaining respective confirmation from the SFC and the Stock Exchange that Rule 25 of the Takeovers Code does not apply to the execution and performance of the PP Settlement Agreement and Mr. Pannu is not a connected person of the Company under the Listing Rules; or (B) the Independent Shareholders passing at the EGM resolutions approving any special deal in accordance with Rule 25 of the Takeovers Code and/or connected transaction (if applicable) under Chapter 14A of the Listing Rules arising from or as a result of the entering into of the PP Settlement Agreement and consent from the Executive in relation to the Special Deal as the PP Settlement Agreement constitutes a special deal under Rule 25 of the Takeovers Code.

As disclosed in the section headed “Implications under the Takeovers Code and application for Whitewash Waiver”, the PP Settlement Agreement constitutes a special deal pursuant to Rule 25 of the Takeovers Code and is subject to the Independent Shareholders passing at the EGM resolutions approving the Special Deal and the consent from the Executive in relation to the Special Deal.

LETTER FROM THE BOARD

Reasons for the entering into of the Settlement Agreements

The terms of the Settlement Agreements were agreed following arm's length negotiations between the Company, BCFC (if applicable) and respective parties to each of the Settlement Agreements. In view of the outstanding legal proceedings in respect of the claims against the Company, the entering into of the Settlement Agreements could facilitate the discontinuation of certain actions against the Group and the settlement of certain claims and/or debts from each of U-Continent, Mr. Yeung and Mr. Pannu which could facilitate the resumption of trading of the Shares. Further, in order to minimise any substantial change in the shareholding of the Company except the effect of the Proposed Restructuring prior to the Resumption for smooth execution of the Resumption Proposal, it is agreed that both Mr. Yeung and U-Continent will not transfer to any person or convert the whole or any part of the outstanding CY Convertible Notes and the outstanding UC Convertible Notes prior to the Resumption respectively. The parties to the CY Settlement Agreement and the UC Settlement Agreement further agreed to extend the maturity dates of the outstanding CY Convertible Notes and the outstanding UC Convertible Notes to 31 December 2016 (or such other date as the parties may agree in writing) in consideration of the entering into of the CY Settlement Agreement and the UC settlement Agreement, respectively. In consideration of the entering into of the CY Settlement Agreement without provision for the discharge of the Debt by Mr. Yeung, the Investor would pay the Debt for the Company under the Debt Undertaking in full such that the Company would not be liable to pay out of its own pocket if the repayment of the Debt is demanded and no cash outflow by the Company will be involved. The Directors (other than the independent non-executive Directors of the Company whose recommendation is set out in the Letter from the Independent Board Committee) are of the view that the terms of the Settlement Agreements and the Debt Undertaking are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

ADJUSTMENTS TO THE CONVERSION PRICE OF THE EXISTING CONVERTIBLE NOTES

Pursuant to the terms and conditions of the Existing Convertible Notes, the initial conversion price of the Existing Convertible Notes, being HK\$0.03 per conversion share, shall be adjusted from time to time in accordance with the following relevant adjustment provisions and provided that the conversion price shall not be less than the par value of a share, and if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of the following provisions, it shall fall within the first of the applicable provisions to the exclusion of the remaining provisions:

(i) Consolidation or subdivision

If and whenever there shall be an alternation to the nominal value of the Shares as a result of consolidation or subdivision, the conversion price shall be adjusted by multiplying the conversion price in force immediately prior to such alternation by the following fraction:

$$\frac{A}{B}$$

LETTER FROM THE BOARD

where:

- A = the nominal amount of one Share immediately after such alternation; and
B = the nominal amount of one Share immediately before such alternation.

Such adjustment shall become effective on the date the alternation takes effect.

(ii) Capitalisation of profits or reserves

If and whenever the Company shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves, other than Shares issued in lieu of the whole or any part of a cash dividend (the “**Relevant Cash Dividend**”), being a dividend which the Shareholders concerned would or could otherwise have received in cash (“**Scrip Dividend**”), the conversion price shall be adjusted in the case of an issue of Shares other than by way of Scrip Dividend by multiplying the conversion price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

- A = the aggregate nominal amount of the issued Shares immediately before such issue;
B = the aggregate nominal amount of the issued Shares immediately after such issue; and

In the case of an issue of Shares by way of a Scrip Dividend the then market price of which Shares exceeds 120% of the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a capital distribution, by multiply the conversion price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A = the aggregate nominal amount of the issued Shares immediately before such issue;
B = the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount per Share of the whole, or the relevant part, of the Relevant Cash Dividend; and (ii) the denominator is the current market price (determined in accordance with the terms of the applicable Existing Convertible Note) of the number of Shares issued in respect of each existing Share in lieu of the whole, or the relevant part of the Relevant Cash Dividend; and
C = the aggregate nominal amount of Shares issued by way of such Scrip Dividend;

LETTER FROM THE BOARD

or by making such other adjustment as an approved merchant bank or auditors of the Company shall certify to the Company as being fair and reasonable.

Such adjustment shall become effective on the date of issue of such Shares.

(iii) Capital distribution

If and whenever the Company shall pay or make any capital distribution to the Shareholders (except where the conversion price falls to be adjusted under subparagraphs (ii) above, or falls within sub-paragraph (ii) above but no adjustment falls to be made), the conversion price shall be adjusted by multiplying the conversion price in force immediately prior to such capital distribution by the following fraction:

$$\frac{A-B}{A}$$

where:

- A = the current market price (determined in accordance with the terms of the applicable Existing Convertible Note) of one Share on the dealing day last preceding the date on which the capital distribution is publicly announced; and
- B = the fair market value on the date of such announcement, as determined in good faith by an approved merchant bank or auditors of the Company, of the portion of the capital distribution attributable to one Share.

Such adjustment shall become effective on the date that such capital distribution is actually made.

(iv) Rights issues of Shares or options over Shares

If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or shall issue or grant to all or substantially all Shareholders as a class, by way of rights, any options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 90% of the current market price (determined in accordance with the terms of the applicable Existing Convertible Note) per Share on the last dealing day preceding the date of the announcement of the terms of the issue or grant, the conversion price shall be adjusted by multiplying the conversion price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A+B}{A+C}$$

LETTER FROM THE BOARD

where:

- A = the number of Shares in issue immediately before such announcement;
- B = the number of Shares which the aggregate amount (if any) payable for the rights or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein could purchase at such current market price (determined in accordance with the terms of the applicable Existing Convertible Note) per Share; and
- C = the aggregate nominal amount of Shares issued or, as the case may be, comprised in the grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights, as the case may be.

(v) Rights issues of other securities

If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights of any options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares), the conversion price shall be adjusted by multiplying the conversion price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A-B}{A}$$

where:

- A = the current market price (determined in accordance with the terms of the applicable Existing Convertible Note) of one Share on the last dealing day preceding the date on which such issue or grant is publicly announced; and
- B = the fair market value on the date of such announcement as determined in good faith by an approved merchant bank or the auditors of the Company, of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants, as the case may be.

Pursuant to the CY Settlement Agreement and the UC Settlement Agreement, Mr. Yeung and U-Continent respectively irrevocably and unconditionally undertake to the Company that he and/or it will not exercise any conversion rights under the unconverted CY Convertible Notes and UC Convertible Notes at any time before

LETTER FROM THE BOARD

the Resumption. Accordingly, adjustments shall be made to the initial conversion price of the Existing Convertible Notes assuming completion of the Proposed Restructuring taking into account the effects of the proposed Share Consolidation and the Open Offer. In accordance with the adjustment provisions as set out in subparagraphs (i) and (iv) above, the initial conversion price of the Existing Convertible Notes shall be adjusted to HK\$0.41 per Existing Conversion Share immediately after the Share Consolidation becoming effective and completion of the Open Offer. As at the Latest Practicable Date, the aggregate outstanding principal amount of the Existing Convertible Notes is HK\$232,500,000. Based on the adjusted conversion price of HK\$0.41 per Existing Conversion Share, an aggregate of 567,073,168 New Shares shall be issued upon full exercise of the conversion rights under the unconverted Existing Convertible Notes.

The computations of (i) the adjusted conversion price of HK\$0.41 per Existing Conversion Share after taking into account the effects of the Share Consolidation and the Open Offer; and (ii) the number of New Shares of 567,073,168 to be issued upon full exercise of the conversion rights under the unconverted Existing Convertible Notes have been reviewed by ZHONGHUI ANDA CPA Limited, the auditor of the Company. As confirmed by ZHONGHUI ANDA CPA Limited, the aforesaid computations are arithmetically accurate and the proposed adjustment to the initial conversion price of the Existing Convertible Notes is in accordance with the terms and conditions of the Existing Convertible Notes.

THE OFFER SHARES, THE SUBSCRIPTION SHARES, THE NEW CONVERSION SHARES AND THE EXISTING CONVERSION SHARES

Number of the Offer Shares

The 242,027,168 Offer Shares to be allotted and issued under the Open Offer at the Offer Price of HK\$0.08 per Offer Share represent:

- (i) approximately 50.00% of the issued share capital of the Company upon completion of the Capital Reorganisation;
- (ii) approximately 33.33% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issue and allotment of the Offer Shares;
- (iii) approximately 6.28% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issue and allotment of the Offer Shares and the Subscription Shares; and

LETTER FROM THE BOARD

- (iv) approximately 3.85% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issue and allotment of the Offer Shares, the Subscription Shares, the New Conversion Shares upon full conversion of the New Convertible Notes and the Existing Conversion Shares upon full conversion of the Existing Convertible Notes after completion of the Proposed Restructuring.

Number of the Subscription Shares

The 3,125,000,000 Subscription Shares to be allotted and issued at the Subscription Price of HK\$0.08 per Subscription Share under the Share Subscription represent:

- (i) approximately 645.59% of the issued share capital of the Company upon completion of the Capital Reorganisation;
- (ii) approximately 430.39% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issue and allotment of the Offer Shares;
- (iii) approximately 81.15% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issue and allotment of the Offer Shares and the Subscription Shares; and
- (iv) approximately 49.66% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issue and allotment of the Offer Shares, the Subscription Shares, the New Conversion Shares upon full conversion of the New Convertible Notes and the Existing Conversion Shares upon full conversion of the Existing Convertible Notes after completion of the Proposed Restructuring.

Number of the New Conversion Shares

The 1,875,000,000 New Conversion Shares to be allotted and issued under the New CN Subscription upon full conversion of the New Convertible Notes at the Conversion Price of HK\$0.08 per New Conversion Share, subject to adjustments, represent:

- (i) approximately 387.35% of the issued share capital of the Company upon completion of the Capital Reorganisation;
- (ii) approximately 258.24% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issue and allotment of the Offer Shares;

LETTER FROM THE BOARD

- (iii) approximately 48.69% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issue and allotment of the Offer Shares and the Subscription Shares; and
- (iv) approximately 29.79% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issue and allotment of the Offer Shares, the Subscription Shares, the New Conversion Shares upon full conversion of the New Convertible Notes and the Existing Conversion Shares upon full conversion of the Existing Convertible Notes after completion of the Proposed Restructuring.

Number of the Existing Conversion Shares

As at the Latest Practicable Date, the outstanding UC Convertible Notes and the outstanding CY Convertible Notes amounted to HK\$120,000,000 and HK\$112,500,000, respectively, as such, the outstanding Existing Convertible Notes amounted to HK\$232,500,000 in aggregate. The 567,073,168 Existing Conversion Shares to be allotted and issued upon full conversion of the Existing Convertible Notes at the adjusted conversion price of HK\$0.41 per Existing Conversion Share assuming completion of the Proposed Restructuring represent:

- (i) approximately 117.15% of the issued share capital of the Company upon completion of the Capital Reorganisation;
- (ii) approximately 78.10% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issue and allotment of the Offer Shares;
- (iii) approximately 14.73% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issue and allotment of the Offer Shares and the Subscription Shares; and
- (iv) approximately 9.01% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issue and allotment of the Offer Shares, the Subscription Shares, the New Conversion Shares upon full conversion of the New Convertible Notes and the Existing Conversion Shares upon full conversion of the Existing Convertible Notes after completion of the Proposed Restructuring.

LETTER FROM THE BOARD

Status of the Offer Shares, the Subscription Shares, the New Conversion Shares and the Existing Conversion Shares

When allotted, issued and fully paid, the Offer Shares, the Subscription Shares, the New Conversion Shares and the Existing Conversion Shares will rank *pari passu* in all respects with the then New Shares in issue on the date of allotment and issuance of the Offer Shares, the Subscription Shares, the New Conversion Shares and the Existing Conversion Shares respectively. Holders of the Offer Shares, the Subscription Shares, the New Conversion Shares and the Existing Conversion Shares will be entitled to receive all future dividends and distributions which are declared, made and paid on or after the date of allotment and issuance of the Offer Shares, the Subscription Shares, the New Conversion Shares and the Existing Conversion Shares respectively.

CHANGES IN SHAREHOLDING STRUCTURE

Set out below are the shareholding structures of the Company under:

- (i) scenario (i) as at the Latest Practicable Date;
- (ii) scenario (ii) upon completion of the Capital Reorganisation but before completion of the Open Offer, the Share Subscription Agreement, the New CN Subscription Agreement, the CY Settlement Agreement and the UC Settlement Agreement and assuming no conversion of the Existing Convertible Notes;
- (iii) scenario (iii) upon completion of the Capital Reorganisation and the Open Offer but before completion of the Share Subscription Agreement, the New CN Subscription Agreement, the CY Settlement Agreement and the UC Settlement Agreement and assuming no conversion of the Existing Convertible Notes;
- (iv) scenario (iv) upon completion of the Proposed Restructuring but before completion of the Placing Agreement and assuming (a) no conversion of the Existing Convertible Notes, and (b) no conversion of the New Convertible Notes;
- (v) scenario (v) upon completion of the Proposed Restructuring and completion of the Placing Agreement and assuming (a) no conversion of the Existing Convertible Notes, and (b) no conversion of the New Convertible Notes; and
- (vi) scenario (vi) upon completion of the Proposed Restructuring and completion of the Placing Agreement and assuming (a) full conversion of the Existing Convertible Notes, and (b) full conversion of the New Convertible Notes,

after the Company having made reasonable enquiries and assuming that there are no other changes in the shareholding structure of the Company since the Latest Practicable Date.

LETTER FROM THE BOARD

Notes:

- (1) Pursuant to the Underwriting Agreement, the Underwriter undertakes (A) to ensure that (i) such subscribers and/or sub-underwriters are third parties independent of and not acting in concert with the Directors, chief executive or substantial Shareholders of the Company or any of its subsidiaries or any of their respective associates; (ii) no such subscriber of the Offer Shares shall be procured by the Underwriter or by the sub-underwriters if allotment and issue of any Offer Shares to the subscriber would result in it and its associates and parties acting in concert (as defined in the Takeovers Code) with it, when aggregated with the New Shares (if any) already held by them, holding 30% or more of the enlarged issued share capital of the Company immediately after completion of the Proposed Restructuring; and (iii) in performing its underwriting obligations under the Underwriting Agreement, no such subscribers of the Offer Shares will become a substantial Shareholder immediately after completion of the Proposed Restructuring; and (B) to only procure subscribers who are independent and not acting in concert with the Investor.
- (2) Scenario (iii) illustrates the effect of the Open Offer upon completion of the Capital Reorganisation as enlarged by the issue and allotment of the Offer Shares, which is for illustrative purpose only as completion of the Open Offer will take place simultaneously with completion of the Subscriptions. Upon completion of the Proposed Restructuring, assuming nil subscription by the Shareholders under the Open Offer, the shareholding of the Underwriter in the Company will become approximately 6.28% and therefore no general offer obligation under the Takeovers Codes will be triggered.
- (3) Pursuant to the terms of each of the Existing Convertible Notes and the New Convertible Notes, holders thereof cannot exercise the conversion rights if such conversion would result in the Company being unable to meet the public float requirement under the Listing Rules or in breach of the Listing Rules.

PLACING DOWN TO RESTORE PUBLIC FLOAT

In order to restore the public float of the New Shares as soon as practicable following completion of the Proposed Restructuring, on 1 August 2016, the Investor entered into the Placing Agreement with the Placing Agent pursuant to which the Investor has agreed to place, and the Placing Agent has agreed to, on a best effort basis, procure the Placees to subscribe for an aggregate of not less than 1,070,000,000 Placing Shares and not more than 1,175,000,000 Placing Shares at the placing price of HK\$0.08 per Placing Share (together with such Hong Kong stamp duty, Stock Exchange trading fee, SFC transaction levy or other CCASS fee(s) as may be payable by the Placees). To the best of the Directors' knowledge, save for being the Placing Agent under the Placing Agreement, the Placing Agent is a third party independent of the Company and its connected persons and is not a party acting in concert with the Investor. The Placing Agent shall use all reasonable endeavours to ensure the Placees will be professional, corporate, institutional and/or individual investors and that the Placees and their ultimate beneficial owners shall be Independent Third Parties. It is expected that no Placee will become a substantial shareholder (as defined under the Listing Rules) of the Company upon completion of the Placing Agreement. Completion of the Placing Agreement will take place no later than one Business Day after completion of the Share Subscription or such other date as may be agreed by the parties such that the public float of the New Shares will be restored to no less than 25% as required under the Listing Rules upon the Resumption. The Placing Shares will be sold free of all liens, charges and encumbrances and together with the rights attaching to them, including the right to receive all dividends declared, made or paid after the date of the Placing Agreement and when issued, will be fully paid up and rank *pari passu* in all respects with the other New Shares then in issue.

LETTER FROM THE BOARD

Assuming all Qualifying Shareholders take up their entitlement under the Open Offer, there will be 411,081,504 New Shares held by the public Shareholders, representing approximately 10.67% of the issued share capital of the Company upon completion of the Open Offer and the Share Subscription, or approximately 6.53% of the issued share capital of the Company upon completion of the Open Offer and the Share Subscription and full conversion of the Existing Convertible Notes and the New Convertible Notes. After completion of the Open Offer and the Share Subscription, the Investor will place down an aggregate of not more than 1,175,000,000 New Shares, representing approximately 30.51% of the issued share capital of the Company upon completion of the Open Offer and the Share Subscription, or approximately 18.67% of the issued share capital of the Company upon completion of the Open Offer and the Share Subscription and full conversion of the Existing Convertible Notes and the New Convertible Notes. Together with the approximately 10.67% New Shares already held by the public upon completion of the Open Offer and the Share Subscription, or approximately 6.53% New Shares already held by the public upon completion of the Open Offer and the Share Subscription and full conversion of the Existing Convertible Notes and the New Convertible Notes, not less than approximately 25.20% of the then issued share capital of the Company will be held by the public upon completion of the Placing Agreement. Accordingly, sufficient public float of the Company will be restored.

Assuming none of the Qualifying Shareholders take up their entitlement under the Open Offer, there will be 274,054,336 New Shares held by the public Shareholders and 242,027,168 New Shares held by the Underwriter, or 516,081,504 New Shares in aggregate, representing approximately 13.39% of the issued share capital of the Company upon completion of the Open Offer and the Share Subscription, or approximately 8.20% of the issued share capital of the Company upon completion of the Open Offer and the Share Subscription and full conversion of the Existing Convertible Notes and the New Convertible Notes. After completion of the Open Offer and the Share Subscription, the Investor will place down an aggregate of not less than 1,070,000,000 New Shares, representing approximately 27.79% of the issued share capital of the Company upon completion of the Open Offer and the Share Subscription, or approximately 17.00% of the issued share capital of the Company upon completion of the Open Offer and the Share Subscription and full conversion of the Existing Convertible Notes and the New Convertible Notes. Together with the approximately 13.39% New Shares already held by the public upon completion of the Open Offer and the Share Subscription, or approximately 8.20% New Shares already held by the public upon completion of the Open Offer and the Share Subscription and full conversion of the Existing Convertible Notes and the New Convertible Notes, not less than approximately 25.20% of the then issued share capital of the Company will be held by the public upon completion of the Placing Agreement. Accordingly, sufficient public float of the Company will be restored.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE PROPOSED RESTRUCTURING

Set out in Section B of Appendix II to this circular is the unaudited pro forma financial information of the Group which illustrates the financial impacts of the Proposed Restructuring assuming full conversion of the Existing Convertible Notes and the New Convertible Notes.

According to Section B of Appendix II to this circular, assuming completion of the Proposed Restructuring and full conversion of the Existing Convertible Notes and the New Convertible Notes had taken place on 31 December 2015, (i) total assets of the Group would be HK\$691,187,000, representing an increase of approximately 89.46% from that of the Group of HK\$364,825,000 as at 31 December 2015; (ii) total liabilities of the Group would be HK\$175,366,000, representing a decrease of approximately 54.85% from that of the Group of HK\$388,366,000 as at 31 December 2015; and (iii) net assets of the Group would be HK\$515,821,000 as compared to the net liabilities position of the Group of HK\$23,541,000 as at 31 December 2015.

APPROVAL OF THE HIGH COURT

Pursuant to the Receivership Order, the Receivers are required to seek the approval of the High Court to formulate and carry out the restructuring of the Group and/or enter into a compromise or arrangement on the Company's behalf. In this connection, the Capital Reorganisation, the Open Offer, the Underwriting Agreement, the Subscriptions and the Settlement Agreements are subject to approval of the High Court.

IMPLICATIONS UNDER THE LISTING RULES

The Capital Reorganisation

As the completion of the Capital Reorganisation is one of the conditions precedent to completion of the Open Offer and the Subscriptions, Shareholders who are required to abstain from voting on the Proposed Restructuring and/or the Whitewash Waiver and/or the Special Deals and the transactions contemplated thereunder are also required to abstain from voting on the relevant resolution(s) to approve the Capital Reorganisation at the EGM.

LETTER FROM THE BOARD

The Open Offer

Pursuant to Rule 7.24(5)(a) of the Listing Rules, if a proposed open offer would increase either the number of issued shares or the market capitalisation of the issue by more than 50%, the open offer must be made conditional on approval by shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates must abstain from voting in favour. Notwithstanding the Open Offer would not increase the issued share capital or the market capitalisation of the Company by more than 50% and the Company has not announced any other open offer or rights issue within the 12-month period immediately preceding the Latest Practicable Date, the Open Offer will be subject to the Independent Shareholders' approval at the EGM given that it forms part of the Proposed Restructuring. Further, as completion of the Subscriptions is one of the conditions precedent to completion of the Open Offer, Shareholders who are required to abstain from voting on the Proposed Restructuring and/or the Whitewash Waiver and/or the Special Deals are also required to abstain from voting on the relevant resolution(s) to approve the Open Offer and the transactions contemplated under the Underwriting Agreement.

The Subscriptions

The Investor, its associates, and parties acting in concert with any of them, and those (if any) who are involved in or interested in the Proposed Restructuring and/or the Whitewash Waiver and/or the Special Deals and the transactions contemplated thereunder, must abstain from voting on the relevant resolution(s) to approve the Subscriptions at the EGM.

Issue under specific mandate

The Subscription Shares and the New Conversion Shares upon conversion of the New Convertible Notes will be issued pursuant to a specific mandate to be obtained upon approval by the Independent Shareholders at the EGM. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Subscriptions are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

The CY Settlement Agreement and the UC Settlement Agreement

By virtue of Mr. Yeung and U-Continent, both being substantial Shareholders, each of Mr. Yeung and U-Continent is a connected person of the Company within the meaning of the Listing Rules. As such, the entering into of the CY Settlement Agreement and the UC Settlement Agreement constitute connected transactions of the Company under

LETTER FROM THE BOARD

Chapter 14A of the Listing Rules and are subject to the requirements of the reporting, announcement and independent shareholders' approval. Mr. Yeung and U-Continent, their respective associates, and parties acting in concert with any of them, and those (if any) who are involved in or interested in the Proposed Restructuring and/or the Whitewash Waiver and/or the Special Deals and the transactions contemplated thereunder, must abstain from voting on the relevant resolution(s) to approve the CY Settlement Agreement and the UC Settlement Agreement at the EGM. To the best of the Directors' knowledge, none of the Directors was in any way materially interested in the CY Settlement Agreement and/or the UC Settlement Agreement and hence, none of the Directors was required to abstain from voting on the relevant resolution(s) to approve the CY Settlement Agreement and the UC Settlement Agreement at the EGM.

As at the Latest Practicable Date, Mr. Yeung and U-Continent and their respective associates are interested in 2,700,000,000 Shares and 1,500,000,000 Shares, respectively.

Others

As at the Latest Practicable Date, none of the Directors was in any way materially interested in the transactions contemplated under the Proposed Restructuring and/or the Whitewash Waiver and/or the Special Deals and hence, none of the Directors was required to abstain from voting on the relevant board resolutions to approve the transactions contemplated under the Proposed Restructuring and/or Whitewash Waiver and/or the Special Deals.

IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER

Whitewash Waiver

As at the Latest Practicable Date, the Concert Group does not own or control any existing Shares, convertible securities, warrants, options or derivatives in respect of the existing Shares. Upon the completion of the Proposed Restructuring, the Concert Group will, in aggregate, hold (i) approximately 81.15% of the then issued share capital of the Company as a result of the Share Subscription (before completion of the Placing Agreement); or (ii) approximately 53.36% of the then issued share capital of the Company as a result of the Share Subscription (after completion of the Placing Agreement), assuming nil subscription by the Qualifying Shareholders under the Open Offer, or approximately 50.64% of the then issued share capital of the Company as a result of the Share Subscription (after completion of the Placing Agreement), assuming full subscription by the Qualifying Shareholders under the Open Offer.

LETTER FROM THE BOARD

As such, the Investor would be required to make a mandatory general offer for all the issued shares of the Company (not already owned or agreed to be acquired by the Concert Group) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

The Investor has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to the approval of the Independent Shareholders at the EGM by way of poll and such other condition(s) as may be imposed by the Executive. The parties of the Concert Group and those who are involved in or interested in the Proposed Restructuring and/or the Whitewash Waiver and/or the Special Deals will abstain from voting on the relevant resolution(s) to approve the Whitewash Waiver at the EGM. If the Whitewash Waiver is granted by the Executive, the Concert Group will not be required to make a mandatory offer which would otherwise be required as a result of the subscription of the Subscription Shares. The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted, the Subscription Agreements will lapse and consequentially the Open Offer, the CY Settlement Agreement, the Debt Undertaking and the UC Settlement Agreement will lapse and the Capital Reorganisation and the Resumption will not proceed.

If the Whitewash Waiver is approved by the Independent Shareholders, the aggregate shareholding of the Investor and parties acting in concert with it will exceed 50% of the then issued share capital of the Company as enlarged by the Subscription Shares. In this event, the Investor may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

Special Deals

Pursuant to the terms of the UC Settlement Agreement and the CY Settlement Agreement, it is one of the conditions precedent that the Shares shall resume trading on the Stock Exchange, which is subject to completion of the Proposed Restructuring. In addition, the entering into of each of the UC Settlement Agreement (which includes an extension of the maturity dates of the remaining unconverted UC Convertible Notes) with U-Continent (who is a Shareholder), the entering into of the CY Settlement Agreement (which includes an extension of the maturity date of the remaining unconverted CY Convertible Notes) with Mr. Yeung (who is a Shareholder), RY and BCFC and the entering into of the PP Settlement Agreement (which involves the mutually discontinuance of HCA 1355/2015 and HCA 1590/2015 thereby deriving a benefit from the PP Settlement Agreement) with Mr. Pannu (who is a Shareholder), Asia Rays, Amazing Top and BCFC, which is not extended to all the other Shareholders, constitutes a special deal under Rule 25 of the Takeovers Code. Further, the Debt Undertaking was given by the Investor in consideration of the

LETTER FROM THE BOARD

entering into of the CY Settlement Agreement by the Company and therefore in substance forms part of the CY Settlement Agreement. The arrangement under the Debt Undertaking between the Investor and Mr. Yeung (who is a Shareholder), which is not extended to all the other Shareholders, also constitutes a special deal under Rule 25 of the Takeovers Code. The Special Deals require consent from the Executive under Rule 25 of the Takeovers Code and the requested consent may or may not be granted by the Executive. Such consent, if granted, shall be conditional upon the approval of the Independent Shareholders by way of a poll at the EGM and the Independent Financial Adviser to the Independent Board Committee publicly stating in its opinion that the terms of the Special Deals are fair and reasonable. The Company has applied to the Executive for its consent to the Special Deals under Rule 25 of the Takeovers Code. If such consent is not granted, the Settlement Agreements and the Debt Undertaking will lapse and consequentially the Open Offer, the Subscription Agreements will lapse and the Capital Reorganisation and the Resumption will not proceed.

Shareholders including (i) the Investor, its ultimate beneficial owners, Mr. Yeung, RY, U-Continent, Mr. Pannu, Asia Rays, Amazing Top, Mr. Wang Lei, Ms. Wang Man Li and parties acting in concert with any of them; and (ii) any Shareholders who are involved in and/or interested in the Proposed Restructuring and/or the Whitewash Waiver and/or the Special Deals, are required to abstain from voting on the relevant resolution(s) to be proposed at the EGM.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date, none of the members of the Concert Group owns or has control or direction over any existing Shares, rights over Shares, convertible securities, warrants, options or derivatives in respect of the Shares. Other than the entering into of the Subscription Agreements, none of the members of the Concert Group has acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company within the six months prior to the date of the Subscription Agreements and up to the Latest Practicable Date.

As at the Latest Practicable Date, save as disclosed in this circular,

- (a) none of the members of the Concert Group has received any irrevocable commitment in relation to voting of the resolutions in respect of the Capital Reorganisation, the Open Offer, the Subscription Agreements, the Whitewash Waiver, the Settlement Agreements, the Special Deals or any transactions contemplated thereunder at the EGM;
- (b) there is no outstanding derivative in respect of the securities of the Company which has been entered into by any members of the Concert Group;

LETTER FROM THE BOARD

- (c) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of any of the members of the Concert Group or the Company and which might be material to the Capital Reorganisation, the Open Offer, the Subscription Agreements, the Whitewash Waiver, the Settlement Agreements, the Special Deals or any transactions contemplated thereunder;
- (d) there is no agreement or arrangement to which any members of the Concert Group is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscription Agreements, the Whitewash Waiver, the Settlement Agreements, the Special Deals or any transactions contemplated thereunder, including any break fees being payable; and
- (e) none of the members of the Concert Group has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

As at the Latest Practicable Date, the issued share capital of the Company comprises 9,681,086,733 Shares and, other than the Existing Convertible Notes, the Company does not have any options, warrants or convertible securities in issue.

EQUITY FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The Company had not conducted any equity fund raising activities during the past 12 months immediately preceding the Latest Practicable Date.

GENERAL

Application for listing

The Company will apply to the Stock Exchange for the listing of, and permission to deal in the New Shares, including the Offer Shares, the Subscription Shares, the New Conversion Shares and the Existing Conversion Shares. Subject to the granting of the listing of, and permission to deal in, the New Shares, including the Offer Shares, the Subscription Shares, the New Conversion Shares and the Existing Conversion Shares, on the Stock Exchange, the New Shares, including the Offer Shares, the Subscription Shares, the New Conversion Shares and the Existing Conversion 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 New Shares, including the Offer Shares, the Subscription Shares, the New Conversion Shares and the Existing Conversion Shares, on the Stock Exchange or such other date as determined by HKSCC. Settlement

LETTER FROM THE BOARD

of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement 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 New Shares, including the Offer Shares, the Subscription Shares, the New Conversion Shares and the Existing Conversion Shares, may be settled through CCASS.

No application will be made for listing of the New Convertible Notes and the Existing Convertible Notes.

No part of the equity or debt securities of the Company is listed or dealt in on any other stock exchanges other than the Stock Exchange and no such listing or permission to deal in is being or is currently proposed to be sought from any other stock exchange.

Formation of the Independent Board Committee and appointment of the Independent Financial Adviser

The Independent Board Committee comprising all the independent non-executive Directors, who have no direct or indirect interest in the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and the Special Deals, has been established to advise the Independent Shareholders as to whether the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and the Special Deals are fair and reasonable and in the interests of the Company and the Independent Shareholders taken as a whole and to advise the Independent Shareholders on how to vote in the EGM after taking into account the advice from the Independent Financial Adviser.

TC Capital International Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and the Special Deals. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee.

LETTER FROM THE BOARD

THE EGM

The EGM will be held at 11:00 a.m. on 29 August 2016 at Taichi Room, Unit 3810, 38/F China Resources Building, 26 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, approving the resolutions in respect of, inter alia, the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and the Special Deals. The Capital Reorganisation will be proposed by way of a special resolution. The Open Offer including the Underwriting Agreement, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and the Special Deals will be proposed by way of one ordinary resolution as they are inter-conditional on each other and should be considered and voted on as one matter. Both resolutions will be voted on by the Independent Shareholders by way of poll at the EGM. The notice of EGM is set out on pages EGM-1 to EGM-8 in this circular and a form of proxy for use at the EGM is enclosed.

Shareholders including, (i) the Investor, its ultimate beneficial owners, Mr. Yeung, RY, U-Continent, Mr. Pannu, Asia Rays, Amazing Top, Mr. Wang Lei, Ms. Wang Man Li and parties acting in concert with any of them; and (ii) those who are involved in and/or interested in, the Proposed Restructuring and/or the Whitewash Waiver and/or the Special Deals are required to abstain from voting on the resolutions in respect of the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and the Special Deals at the EGM.

Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 89 to 90 of this circular which contains its recommendation to the Independent Shareholders (i) as to whether the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and the Special Deals are fair and reasonable; and (ii) as to voting at the EGM in relation to the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and the Special Deals.

LETTER FROM THE BOARD

Your attention is also drawn to the letter of advice from the Independent Financial Adviser set out on pages 91 to 138 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders (i) as to whether the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and the Special Deals are fair and reasonable; and (ii) as to voting at the EGM in relation to the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and the Special Deals, and the principal factors and reasons considered by it in arriving its opinion.

The Directors consider that the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and the Special Deals are on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Independent Shareholders should vote in favour of the resolutions to be proposed at the EGM in respect of, inter alia, the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and the Special Deals.

Independent Shareholders are advised to read (i) the letter of advice from the Independent Board Committee; (ii) the letter of advice from the Independent Financial Adviser as mentioned above before making their voting decisions in respect of the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and the Special Deals.

The despatch of this circular does not indicate any decision or conclusion from the Stock Exchange nor warrant any approval from the Stock Exchange on the resumption of trading in the Shares. The transactions contemplated under the Proposed Restructuring are subject to the fulfilment of various conditions, and therefore may or may not materialise. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

For and on behalf of
Birmingham International Holdings Limited
(Receivers Appointed)
Liu Yiu Keung Stephen, Yen Ching Wai David and Koo Chi Sum
Joint and Several Receivers

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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

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

To the Independent Shareholders

5 August 2016

Dear Sir or Madam,

- (1) PROPOSED CAPITAL REORGANISATION;**
- (2) PROPOSED OPEN OFFER OF OFFER SHARES ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO NEW SHARES HELD ON THE OPEN OFFER RECORD DATE;**
- (3) PROPOSED SUBSCRIPTION OF SUBSCRIPTION SHARES UNDER SPECIFIC MANDATE;**
- (4) PROPOSED SUBSCRIPTION OF CONVERTIBLE NOTES UNDER SPECIFIC MANDATE;**
- (5) APPLICATION FOR WHITEWASH WAIVER;**
- AND**
- (6) SPECIAL DEALS AND/OR CONNECTED TRANSACTIONS IN RELATION TO THE SETTLEMENT AGREEMENTS**

We refer to the circular issued by the Company dated 5 August 2016 (the “Circular”) of which this letter forms part. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and the Special Deals are fair and reasonable and in the interests of the Company and the Independent Shareholders taken as a whole and to advise the Independent Shareholders on how to vote after taking into account the advice of the Independent Financial Adviser.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

TC Capital International Limited has been appointed as the Independent Financial Adviser to advise us in relation to the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and the Special Deals. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out in its letter set out on pages 91 to 138 of this Circular. Your attention is also drawn to the Letter from the Board and additional information set out in the appendices to this Circular.

Having considered the terms of the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and the Special Deals as well as the advice and recommendations of the Independent Financial Adviser as set out in its letter of advice, we consider that the terms of the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and the Special Deals are on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and the Special Deals, respectively, and all the transactions contemplated thereunder accordingly.

Yours faithfully,

Independent Board Committee

Cheung Yuk Ming Law Pui Cheung Lai Hin Wing Henry Stephen

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from TC Capital International Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and the Special Deals.



5 August 2016

The Independent Board Committee and the Independent Shareholders
Birmingham International Holdings Limited (Receivers Appointed)

Dear Sirs,

- (1) PROPOSED CAPITAL REORGANISATION;**
- (2) PROPOSED OPEN OFFER OF OFFER SHARES ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO NEW SHARES HELD ON THE OPEN OFFER RECORD DATE;**
- (3) PROPOSED SUBSCRIPTION OF SUBSCRIPTION SHARES UNDER SPECIFIC MANDATE;**
- (4) PROPOSED SUBSCRIPTION OF CONVERTIBLE NOTES UNDER SPECIFIC MANDATE;**
- (5) APPLICATION FOR WHITEWASH WAIVER;**
- AND**
- (6) SPECIAL DEALS AND/OR CONNECTED TRANSACTIONS IN RELATION TO THE SETTLEMENT AGREEMENTS**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and the Special Deals, details of which are set out in the letter from the Board (the “**Letter from the Board**”) in the circular of the Company to the Shareholders dated 5 August 2016 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter have the same meanings as those defined in the Circular unless the context otherwise requires.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Capital Reorganisation

As the completion of the Capital Reorganisation is one of the conditions precedent to completion of the Open Offer and the Subscriptions, Shareholders who are required to abstain from voting on the Proposed Restructuring and/or the Whitewash Waiver and/or the Special Deals and the transactions contemplated thereunder are also required to abstain from voting on the relevant resolution(s) to approve the Capital Reorganisation at the EGM.

The Open Offer

Pursuant to Rule 7.24(5)(a) of the Listing Rules, if a proposed open offer would increase either the number of issued shares or the market capitalisation of the issue by more than 50%, the open offer must be made conditional on approval by shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates must abstain from voting in favour. Notwithstanding the Open Offer would not increase the issued share capital or the market capitalisation of the Company by more than 50% and the Company has not announced any other open offer or rights issue within the 12-month period immediately preceding the Latest Practicable Date, the Open Offer will be subject to the Independent Shareholders' approval at the EGM given that it forms part of the Proposed Restructuring. Further, as completion of the Subscriptions is one of the conditions precedent to the completion of the Open Offer, Shareholders who are required to abstain from voting on the Proposed Restructuring and/or the Whitewash Waiver and/or the Special Deals are also required to abstain from voting on the relevant resolution(s) to approve the Open Offer and the transactions contemplated under the Underwriting Agreement.

The Subscriptions

The Investor, its associates, and parties acting in concert with any of them, and those (if any) who are involved in or interested in the Proposed Restructuring and/or the Whitewash Waiver and/or the Special Deals and the transactions contemplated thereunder, must abstain from voting on the relevant resolution(s) to approve the Subscriptions at the EGM.

Issue under specific mandate

The Subscription Shares and the New Conversion Shares upon conversion of the New Convertible Notes will be issued pursuant to a specific mandate to be obtained upon approval by the Independent Shareholders at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The CY Settlement Agreement and the UC Settlement Agreement

By virtue of Mr. Yeung and U-Continent, both being substantial Shareholders, each of Mr. Yeung and U-Continent is a connected person of the Company within the meaning of the Listing Rules. As such, the entering into of the CY Settlement Agreement and the UC Settlement Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the requirements of the reporting, announcement and independent shareholders' approval. Mr. Yeung and U-Continent, their respective associates, and parties acting in concert with any of them, and those (if any) who are involved in or interested in the Proposed Restructuring and/or the Whitewash Waiver and/or the Special Deals and the transactions contemplated thereunder, must abstain from voting on the relevant resolution(s) to approve the CY Settlement Agreement and the UC Settlement Agreement at the EGM. To the best of the Directors' knowledge, none of the Directors was in any way materially interested in the CY Settlement Agreement and/or the UC Settlement Agreement and hence, none of the Directors was required to abstain from voting on the relevant resolution(s) to approve the CY Settlement Agreement and the UC Settlement Agreement at the EGM.

As at the Latest Practicable Date, Mr. Yeung and U-Continent and their respective associates were interested in 2,700,000,000 Shares and 1,500,000,000 Shares, respectively.

The Whitewash Waiver

As at the Latest Practicable Date, the Concert Group did not own or control any existing Shares, convertible securities, warrants, options or derivatives in respect of the existing Shares. Upon the completion of the Proposed Restructuring, the Concert Group will, in aggregate, hold (i) approximately 81.15% of the then issued share capital of the Company as a result of the Share Subscription (before completion of the Placing Agreement); or (ii) approximately 53.36% of the then issued share capital of the Company as a result of the Share Subscription (after completion of the Placing Agreement), assuming nil subscription by the Qualifying Shareholders under the Open Offer, or approximately 50.64% of the then issued share capital of the Company as a result of the Share Subscription (after completion of the Placing Agreement), assuming full subscription by the Qualifying Shareholders under the Open Offer.

As such, the Investor would be required to make a mandatory general offer for all the issued shares of the Company (not already owned or agreed to be acquired by the Concert Group) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Investor has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to the approval of the Independent Shareholders at the EGM by way of poll and such other condition(s) as may be imposed by the Executive. The parties of the Concert Group and those who are involved in or interested in the Proposed Restructuring and/or the Whitewash Waiver and/or the Special Deals will abstain from voting on the relevant resolution(s) to approve the Whitewash Waiver at the EGM. If the Whitewash Waiver is granted by the Executive, the Concert Group will not be required to make a mandatory offer which would otherwise be required as a result of the subscription of the Subscription Shares. The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted, the Subscription Agreements will lapse and consequentially the Open Offer, the CY Settlement Agreement, the Debt Undertaking and the UC Settlement Agreement will lapse and the Capital Reorganisation and the Resumption will not proceed.

The Special Deals

Pursuant to the terms of the UC Settlement Agreement and the CY Settlement Agreement, it is one of the conditions precedent that the Shares shall resume trading on the Stock Exchange, which is subject to completion of the Proposed Restructuring. In addition, the entering into of each of the UC Settlement Agreement (which includes an extension of the maturity dates of the remaining unconverted UC Convertible Notes) with U-Continent (who is a Shareholder), the entering into of the CY Settlement Agreement (which includes an extension of the maturity date of the remaining unconverted CY Convertible Notes) with Mr. Yeung (who is a Shareholder), RY and BCFC and the entering into of the PP Settlement Agreement (which involves the mutually discontinuance of HCA 1355/2015 and HCA 1590/2015 thereby deriving a benefit from the PP Settlement Agreement) with Mr. Pannu (who is a Shareholder), Asia Rays, Amazing Top and BCFC, which is not extended to all the other Shareholders, constitutes a special deal under Rule 25 of the Takeovers Code. Further, the Debt Undertaking was given by the Investor in consideration of the entering into of the CY Settlement Agreement by the Company and therefore in substance forms part of the CY Settlement Agreement. The arrangement under the Debt Undertaking between the Investor and Mr. Yeung (who is a Shareholder), which is not extended to all the other Shareholders, also constitutes a special deal under Rule 25 of the Takeovers Code. The Special Deals require consent from the Executive under Rule 25 of the Takeovers Code and the requested consent may or may not be granted by the Executive. Such consent, if granted, shall be conditional upon the approval of the Independent Shareholders by way of a poll at the EGM and the Independent Financial Adviser to the Independent Board Committee publicly stating in its opinion that the terms of the Special Deals are fair and reasonable. The Company has applied to the Executive for its consent

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

to the Special Deals under Rule 25 of the Takeovers Code. If such consent is not granted, the Settlement Agreements and the Debt Undertaking will lapse and consequentially the Open Offer, the Subscription Agreements will lapse and the Capital Reorganisation and the Resumption will not proceed.

Shareholders including (i) the Investor, its ultimate beneficial owners, Mr. Yeung, RY, U-Continent, Mr. Pannu, Asia Rays, Amazing Top, Mr. Wang Lei, Ms. Wang Man Li and parties acting in concert with any of them; and (ii) any Shareholders who are involved in and/or interested in the Proposed Restructuring and/or the Whitewash Waiver and/or the Special Deals, are required to abstain from voting on the relevant resolution(s) to be proposed at the EGM.

We have been appointed to (i) advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and the Special Deals are fair and reasonable insofar as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (ii) advise the Independent Shareholders on how to vote in relation to (i) above at the EGM. As at the Latest Practicable Date, we did not have any relationship or interest with the Company or any other parties that could reasonably be regarded as relevant to our independence.

BASIS OF OPINION

In putting forth our recommendation, we have considered, amongst other things, (i) the Loan Facility Agreement and the Amendment Letter; (ii) the Placing Agreement; (iii) the Debt Undertaking; (iv) the Resumption Proposal; (v) the Settlement Agreements; (vi) the Subscription Agreements; (vii) the Underwriting Agreement; (viii) the announcement of the results of the Special Audit, the annual report of the Company for the year ended 30 June 2015 and the interim report of the Company for the six months ended 31 December 2015; and (ix) other information as set out in the Circular. We have also relied on all relevant information, opinions and facts supplied and representations made to us by the Directors and the representatives of the Company.

We have assumed that all such information, opinions, facts and representations, which have been provided to us by the Directors or the representatives of the Company, for which they are fully responsible, were true, accurate and complete in all respects at the date hereof and may be relied upon. We have further assumed that the information referred to in the Circular continue to be true, accurate and complete as at the date of the Latest Practicable Date. In the event that there are material changes of the Company that

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

may affect our opinion from the Latest Practicable Date to the date of EGM, pursuant to Rule 9.1 of the Takeovers Code, we will notify the Shareholders as soon as practicable. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company. The Company has also confirmed to us that no material facts have been omitted from the information supplied and referred to in the Circular, which would make any statements therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided by the Directors and the representatives of the Company, nor have we conducted any independent investigation into the business, affairs, operations, financial position or future prospects of each of the Group, the Investor, the Interested Shareholders and any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

We have taken into account the following principal factors and reasons in arriving at our recommendations:

1. Information of the Group

As stated in the Letter from the Board, the Company is an investment holding company, and together with its subsidiaries are principally engaged in the operation of a professional football club in the United Kingdom.

1.1 Suspension of trading

Trading in the Shares has been suspended since 4 December 2014. As disclosed in the announcement of the Company dated 22 December 2014, the Stock Exchange has received a complaint relating to comments made by Mr. Pannu on Often Partisan (www.oftenpartisan.co.uk), a public website relating to the Company and BCFC. On 19 January 2015, the Company announced that the then Board discovered that a former employee of the Company might have misappropriated a sum of at least HK\$30 million belonging to the Group since December 2013. On 20 January 2015, the then Board received a letter from JH CPA Alliance Limited, the former auditor of the Group, stating that they are withdrawing their auditor's report to the Shareholders dated 30 September 2014 in respect of the consolidated financial statements of the Company for

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the year ended 30 June 2014. On 22 January 2015, the Company announced that the then Board further discovered that such former employee might have misappropriated a further sum of at least HK\$8 million belonging to the Group.

On 4 February 2015, the Board received a letter from the Stock Exchange (the “**Stock Exchange Letter**”), stating the resumption conditions of the Company, which have to be fulfilled for the Resumption, as follows:

- (i) conduct an appropriate investigation on the Misappropriation and the Withdrawal, disclose the findings, assess the impact on the Company’s financial and operational positions and take appropriate remedial actions;
- (ii) publish all outstanding financial results, and address any audit qualifications;
- (iii) demonstrate that the Company has put in place adequate financial reporting procedures and internal controls systems to meet its Listing Rules obligations;
- (iv) demonstrate that the Company has sufficient working capital for its operation for at least twelve months from its expected Resumption Date; and
- (v) address the allegations against the Company and the former directors received by the Stock Exchange during December 2014 to January 2015 and inform the market of all material information for the Shareholders and the investors to appraise the Group’s position.

On 14 February 2015, the then Board resolved the resolution to apply to the High Court for the appointment of receivers for the Company to take all appropriate actions to protect the Company and to preserve its assets, to carry on the business of the Company and to do all such other things reasonably necessary for the purpose of preserving the value of the Company’s assets and its business. Pursuant to the Receivership Order, the Receivers were appointed as the joint and several receivers of the Company in accordance with the Receivership Order.

On 31 March 2015 and 8 April 2015, the Company announced that the Receivers were exploring all strategic options, including a number of offers

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

from parties expressing an interest in the Company and/or BCP. On 8 May 2015, the Company announced that it has accepted and agreed to a HK\$153 million commitment facility (“**Facility A**”) and a cash collateral in the sum of GBP880,000 from the Investor to assist BCFC to obtain banking facility in the United Kingdom. On 27 May 2015 and 11 June 2015, the Company as borrower entered into two short-term loan agreements with the Investor as lender pursuant to each of which the lender has agreed to grant to the Company a facility in the principal amount of HK\$13.5 million and HK\$10 million respectively which both form parts of Facility A. Such loans shall be repaid together with the interest accrued thereon on 27 July 2015 if the Company fails to execute a formal loan and security documentation in respect of Facility A within two months from 27 May 2015.

On 19 June 2015, the Investor, the Company and the Receivers entered into an exclusivity agreement, pursuant to which an exclusivity period of 24 months (or such other period as may be agreed by the parties in writing) from the date thereof or the execution of a formal subscription/sale and purchase agreement in respect of the subscription and/or purchase of shares in the Company and/or BCP by the Investor was granted to the Investor to consider and ascertain its investment in relation to the subscription and/or purchase of shares in the Company and/or BCP by the Investor.

On 26 June 2015, the Investor and the Company entered into the Loan Facility Agreement.

On 8 January 2016, the Company submitted the Resumption Proposal to address the Stock Exchange Letter.

1.2 Status of the Resumption Proposal

As at the Latest Practicable Date, condition (ii) in the Stock Exchange Letter has been fulfilled. In such regard, the Company has appointed ZHONGHUI ANDA CPA Limited to perform the Special Audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Results of the Special Audit (including certain discrepancies between the figures contained in the results of the Special Audit and those contained in the annual results announcement dated 30 September 2014 and the annual report of the Company for the year ended 30 June 2014, and the reasons thereof) are set out in the announcement of the Company dated 19 July 2016. An extract of the disclaimer of opinions reported in the Special

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Audit is set out in Appendix I to the Circular. The audit of the annual results of the Company for the year ended 30 June 2015 was carried out pursuant to Hong Kong Standards on Auditing. All necessary prior year adjustments to the financial statements of the Company for the year ended 30 June 2014 had been considered and adopted by the Company and had been reflected in the published annual results for the year ended 30 June 2015. As confirmed by ZHONGHUI ANDA CPA Limited, they were not aware of any material adjustments made to the consolidated financial statements of the Company for the year ended 30 June 2014 during the Special Audit that would affect the published annual results for the year ended 30 June 2015. It is expected that the annual results and annual report of the Company for the year ended 30 June 2016 will be published in compliance with the Listing Rules on or before 30 September 2016 and 31 October 2016, respectively.

As at the Latest Practicable Date, condition (iii) in the Stock Exchange Letter has been fulfilled. On 13 August 2015, the Company has engaged ZHONGHUI ANDA Risk Services Limited as the independent internal control reviewer to conduct the IC Review to assess if the Group's financial reporting procedures and internal control systems are adequate to enable it to meet its obligations under the Listing Rules. The IC Review was conducted with reference to, among others, the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 under the Listing Rules and other relevant Listing Rules. In this regard, ZHONGHUI ANDA Risk Services Limited has identified a number of deficiencies in the internal control systems of the Group prior to the appointment of the new Board on 9 March 2015 and made recommendations to the new Board for improvement. The new Board has developed and adopted enhanced policies and measures to rectify the identified weaknesses and deficiencies after the initial IC Review of ZHONGHUI ANDA Risk Services Limited, details of which are set out in the announcement of the Company dated 19 July 2016. After the follow-up IC Review, ZHONGHUI ANDA Risk Services Limited concluded that no material irregularity or error was found on the enhanced financial reporting procedures and internal control systems of the Group.

In respect of condition (iv) in the Stock Exchange Letter, the Company proposed to carry out the transactions contemplated under the Resumption Proposal and details of, among others, the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Settlement Agreements, the Placing Agreement and all transactions under the Resumption Proposal are set out in the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Company has been taking steps to fulfil the remaining three resumption conditions (i), (iv) and (v) in the Stock Exchange Letter in compliance with the Listing Rules and will make announcement(s) in respect of the status and/or fulfilments as and when appropriate.

In order to implement the Resumption Proposal, on 8 March 2016, 12 April 2016 and 4 May 2016, the Company entered into the CY Settlement Agreement, the UC Settlement Agreement, and the PP Settlement Agreement respectively.

After considering the Resumption Proposal, on 31 May 2016, the Stock Exchange issued a conditional approval letter to the Company whereby it allowed the Resumption subject to the following conditions to be fulfilled:

- (i) completion of the Proposed Restructuring with the public float issue addressed; and
- (ii) publication of the revised 2014 annual results.

As at the Latest Practicable Date, condition (ii) above has been fulfilled, details of which are set out in the announcement of the Company dated 19 July 2016.

As part of the Resumption Proposal, on 6 June 2016, the Company announced to implement (i) the Capital Reorganisation, which comprises of (a) the Share Consolidation; (b) the Capital Reduction; (c) the Share Premium Cancellation; (d) the Authorised Share Capital Cancellation; and (e) the Authorised Share Capital Increase, and change in board lot size; (ii) the Open Offer; and (iii) the Subscriptions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.3 *Financial information of the Group*

Set out below are the highlights of the financial results of the Group for the six months ended 31 December 2014 and 2015 and the years ended 30 June 2014 and 2015:

	For the six months ended 31 December		For the year ended 30 June	
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)
		(restated)		(restated)
Revenue	95,142	143,797	253,584	253,227
(Loss)/gain from operations				
before amortisations	(39,903)	2,473	(19,572)	(108,880)
Loss for the period/year	(54,034)	(3,082)	(4,408)	(160,581)
Loss for the period/year				
attributable to owners of the Company	(52,772)	(4,100)	(4,161)	(157,430)
Total comprehensive expenses				
for the period/year	(69,738)	(16,864)	(21,112)	(162,417)
Total comprehensive expenses				
attributable to owners of the Company	(67,949)	(14,326)	(20,303)	(159,206)

For the six months ended 31 December 2015, the Group recorded a turnover of approximately HK\$95 million, representing a decrease of approximately HK\$49 million compared to the turnover of approximately HK\$144 million for the six months ended 31 December 2014. Such decrease was mainly due to the fact that the BCFC is no longer entitled to receive parachute payments from the Premier League after the end of season 2014/2015. Instead, BCFC receives the less favorable solidarity payments starting from season 2015/2016. The Group's loss for the six months ended 31 December 2015 amounted to approximately HK\$54 million, representing an increase of approximately HK\$51 million compared to the restated loss of approximately HK\$3 million for the six months ended 31 December 2014. Such increase was mainly due to the decrease in turnover as discussed above, the decrease in other income arising from compensation from player injury insurance and the decrease in profit on sales of players' registration.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 30 June 2015, the Group's consolidated turnover remained stable at approximately HK\$254 million (2014: approximately HK\$253 million), while the Group's net loss amounted to approximately HK\$4 million, representing an improvement of approximately HK\$157 million compared to the Group's restated net loss of approximately HK\$161 million for the year ended 30 June 2014. Such improvement was mainly due to the net effect of the following:

- an increase in other income of approximately HK\$23 million largely coming from player insurance proceeds received;
- an increase in write back of accrued donation payable to a charity fund in the PRC of approximately HK\$6.5 million which is no longer valid;
- a proposed settlement of HK\$6.5 million with a vendor which is a third party not related to the Group; and
- improved margin of approximately HK\$89 million arising from normal operating activities from the professional football operation in the United Kingdom primarily due to planned reduction in cost base offset by a reduction in sales of players' registration.

Set out below is a summary of the financial position of the Group as at 30 June 2014 and 2015 and 31 December 2015:

	As at 31	As at 30 June	
	December	2015	2014
	2015	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)	(audited)
			(restated)
Non-current assets	277,907	289,291	326,386
Current assets	86,918	114,794	200,006
Total assets	364,825	404,085	526,392
Current liabilities	(336,744)	(260,433)	(439,732)
Non-current liabilities	(51,622)	(97,455)	(64,351)
Total liabilities	(388,366)	(357,888)	(504,083)
Net current liabilities	(249,826)	(145,639)	(239,726)
Net (liabilities)/assets	(23,541)	46,197	22,309

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group recorded consolidated net current liabilities as at 30 June 2014 and 2015 and 31 December 2015 and net liabilities as at 31 December 2015. The net liabilities position of the Group as at 31 December 2015 is primarily due to the loss incurred by the Group for the period and the increase in borrowings due to the drawdown of the Loans for working capital purpose. The net liabilities position as at 31 December 2015 suggests that it is not likely that the Shareholders would receive any return if all the members in the Group were put into liquidation.

We identified from the announcement of the results of the Special Audit and the annual report of the Company for the year ended 30 June 2015 that the Company's auditor has given disclaimer of opinions, the basis of which are set out in the independent auditor's report on pages 2 to 6 of the announcement of the Special Audit and pages 38 to 46 of the annual report of the Company for the year ended 30 June 2015. We note from the disclaimer of opinions the limitation of scope of the audit procedures and the doubt of the Company's auditor on the going concern assumption on which the Group's consolidated financial statements were prepared.

Having considered the bases for the disclaimer of opinions given by the Company's auditor and the financial position of the Group as discussed above, we have reservation on the performance and financial position as reflected in the consolidated financial statements. In the absence of any restructuring proposal to provide the funding for (i) reviving the business of the Group by means of meeting the funding requirement of BCFC and implementing the recruitment plan to reach the goal of the promotion of BCFC to the Premier League; (ii) financing the continuing operations of the Group; and (iii) compromising the liabilities of the Group, we have doubts on the sustainability of the Group in its present establishment.

2. Information of the Investor

As stated in the Letter from the Board, the Investor is a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Wealthy Associates International Limited, a company incorporated in the British Virgin Islands with limited liability, which in turn is wholly owned by Mr. Suen.

Mr. Suen, aged 55, holds a Master of Business Administration degree from the University of South Australia. Mr. Suen has extensive experience in strategic planning and corporate management of business enterprises in Hong Kong and the PRC. Mr. Suen is an executive director and the chairman of, and a controlling

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

shareholder indirectly holding approximately 31.30% of the issued share capital in Enviro Energy. Mr. Suen is also indirectly holding approximately 9.89% of the issued share capital in China Strategic. The shares of both Enviro Energy and China Strategic are listed on the Main Board of the Stock Exchange. Mr. Suen is also indirectly holding approximately 22.89% of the issued share capital of Courage Marine Group Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code:1145) and the Singapore Exchange Securities Trading Limited (Singapore stock code: ATL.SI).

Intentions of the Investor regarding the Group

As stated in the Letter from the Board, the Investor intends to continue with the existing business of the Group upon completion of the Proposed Restructuring and will assist the Group to identify suitable business opportunities to broaden its income streams.

Upon completion of the Subscriptions, the Investor will conduct a detailed review on the business operations and financial position of the Group for the purpose of formulating appropriate business plans and strategies which may include asset acquisitions, business diversification, business rationalisation, business divestment and/or asset disposals in order to enhance the long-term growth potential of the Group. As at the Latest Practicable Date, the Investor had no discussion, negotiation and/or arrangement in relation to the aforesaid asset acquisitions. Subject to completion of a detailed review of the existing business operations of the Group and formulation of an appropriate business plan for the Group, it is the intention of the Investor to further improve the existing business operation of the Group by taking advantage of the business experience and network of the Investor. The Investor and its ultimate beneficial owners have no intention or plan to dispose of (i) its interests in the Company which renders the Investor ceasing to be a controlling shareholder of the Company (as defined in the Listing Rules); or (ii) the Group's controlling interests in BCFC within 24 months after the Resumption. As at the Latest Practicable Date, the Investor had no intention to introduce any major changes to the existing business of the Group, to re-deploy any fixed assets of the Group, or to discontinue the employment of the employees of the Group other than in the ordinary course of business of the Group.

The Investor undertook to the Company that the Investor will provide the necessary financial support to the Company in order to ensure that the Company has sufficient working capital for its operation in the next 18 months after the Resumption and in the event that the Company does not have sufficient working capital, the Investor will not request repayment or require redemption from the Company in respect of the New Convertible Notes.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

It is the intention of the Investor to maintain the listing status of the Company on the Stock Exchange after completion of the Proposed Restructuring. Each of the Investor and the Directors will take appropriate steps as soon as possible following the completion of the Proposed Restructuring to ensure that not less than 25% of the total number of New Shares will be held by the public (details of which are set out in the section headed “Placing down to restore public float” in the Letter from the Board).

Proposed change of composition of the Board

The Board currently consists of three executive Directors and three independent non-executive Directors. It is intended that all existing Directors shall resign on the earliest date permitted under the Takeovers Code. The Investor may nominate its representative(s) to become new Directors upon completion of the Subscription Agreements. Further announcement(s) will be made by the Company as and when there is a change in the composition of the Board in compliance with the Takeovers Code and the Listing Rules.

For BCFC to comply with the requirement of the English Football League, prior approval on the appointment of new Directors shall be obtained from the English Football League. As at the Latest Practicable Date, the Investor is in the course of preparing the list of candidates to be appointed as Directors to the English Football League seeking for its approval. It is expected that details of the proposed Directors will be included in the Prospectus Documents.

3. The Capital Reorganisation

The Company proposes to effect the Capital Reorganisation comprising:

- (1) the proposed Share Consolidation which involves the consolidation of every twenty (20) issued and unissued Shares of HK\$0.01 each into one (1) Consolidated Share of HK\$0.20 each;
- (2) upon the Share Consolidation becoming effective, the proposed Capital Reduction which involves the reduction in the nominal value of each of the issued Consolidated Shares in the issued share capital of the Company from HK\$0.20 per Consolidated Share to HK\$0.01 per New Share by cancelling HK\$0.19 of the capital paid up on each issued Consolidated Share;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (3) upon the Capital Reduction becoming effective:
- (a) the proposed Share Premium Cancellation where the entire amount standing to the credit of the share premium account of the Company of approximately HK\$1,272,710,000 will be cancelled. Upon the Share Premium Cancellation becoming effective, the credits arising from the Capital Reduction and the Share Premium Cancellation will be applied to offset the accumulated losses of the Company of approximately HK\$1,608,834,000 as at 30 June 2015 with the balance, if any, to be transferred to the distributable reserve of the Company; and
 - (b) the Authorised Share Capital Cancellation where all the existing authorised but unissued Shares will be cancelled in their entirety; and
- (4) upon the Share Premium Cancellation and the Authorised Share Capital Cancellation becoming effective, the Authorised Share Capital Increase where the Company's authorised share capital will be increased from HK\$4,840,543.36 divided into 484,054,336 New Shares of HK\$0.01 each to HK\$500,000,000.00 divided into 50,000,000,000 New Shares of HK\$0.01 each.

Fractional New Shares will be disregarded and not be issued to the Shareholders but all such fractional New Shares will be aggregated and, if possible, sold and retained for the benefit of the Company.

Effects of the Capital Reorganisation

As stated in the Letter from the Board, the implementation of the Capital Reorganisation is not expected to alter the underlying assets, business operation and financial position (save for the incidental costs involved) of the Company and the interests and rights of the Shareholders other than as described above.

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$500,000,000.00 divided into 50,000,000,000 Shares of HK\$0.01 each, of which 9,681,086,733 Shares had been issued and were fully paid or credited as fully paid.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table sets out the effect of the Capital Reorganisation on the existing share capital of the Company (assuming there is no change in the number of Shares from the Latest Practicable Date to immediately before the Capital Reorganisation):

	Immediately before the Share Consolidation	Immediately upon the Share Consolidation	Immediately upon the Capital Reduction, the Share Premium Cancellation and the Authorised Share Capital Cancellation	Immediately upon the Authorised Share Capital Increase
Nominal value	HK\$0.01	HK\$0.20	HK\$0.01	HK\$0.01
Authorised share capital	HK\$500,000,000.00 divided into 50,000,000,000 Shares	HK\$500,000,000.00 divided into 2,500,000,000 Consolidated Shares	HK\$4,840,543.36 divided into 484,054,336 New Shares	HK\$500,000,000.00 divided into 50,000,000,000 New Shares
Issued and paid up share capital	HK\$96,810,867.33 divided into 9,681,086,733 Shares	HK\$96,810,867.20 divided into 484,054,336 Consolidated Shares	HK\$4,840,543.36 divided into 484,054,336 New Shares	HK\$4,840,543.36 divided into 484,054,336 New Shares

Reasons for the Capital Reorganisation

As stated in the Letter from the Board, the Capital Reorganisation will give greater flexibility to the Company to raise funds through the issue of New Shares in the future. In addition, the credits arising from the Capital Reduction and the Share Premium Cancellation will be used to offset the accumulated losses of the Company with the balance, if any, to be transferred to the distributable reserve of the Company which will be applied in such manner as and when the Board considers appropriate.

We also note that the Capital Reorganisation is one of the conditions precedent under the Open Offer and the Subscriptions and we are of the view that the Open Offer and the Subscriptions are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole (please refer to the sections headed “PRINCIPAL FACTORS AND REASONS CONSIDERED — 4. The Open Offer including the Underwriting Agreement

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

– Reasons for the Open Offer” and “PRINCIPAL FACTORS AND REASONS CONSIDERED — 5. The Subscriptions – Reasons for the Subscriptions” in this letter for their respective bases). The Capital Reorganisation forms part of the Resumption Proposal and if the Resumption is not successful, the Group will become insolvent and might be placed into liquidation/administration as a last resort.

Having considered the above bases, we are of the view that the Capital Reorganisation is fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

4. The Open Offer including the Underwriting Agreement

As stated in the Letter from the Board, conditional upon the Capital Reorganisation becoming effective, to enable the existing Shareholders to participate in the fund raising exercises under the Resumption Proposal, the Company proposes to conduct the Open Offer on the basis of one (1) Offer Share for every two (2) New Shares held by the Qualifying Shareholders on the Open Offer Record Date to raise approximately HK\$19,362,000 before expenses by issuing 242,027,168 Offer Shares to the Shareholders at the proposed offer price of HK\$0.08 per Offer Share.

Issue details

Basis of the Open Offer	:	One (1) Offer Share for every two (2) New Shares held by the Qualifying Shareholders on the Open Offer Record Date
Offer Price	:	HK\$0.08 per Offer Share
Number of Shares in issue as at the Latest Practicable Date	:	9,681,086,733 Shares
Number of New Shares expected to be in issue as at the Open Offer Record Date	:	484,054,336 New Shares
Number of Offer Shares expected to be issued	:	242,027,168 Offer Shares
Underwriting arrangement	:	Fully underwritten by the Underwriter

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Offer Price

The Offer Price represents:

- (i) a discount of approximately 94.03% to the theoretical quoted price of HK\$1.34 per New Share (the quoted price of HK\$0.067 per Share has been adjusted to reflect the effects of the Capital Reorganisation) on 4 December 2014, being the last trading day before the suspension of trading in the Shares since 10:21 a.m. that day;
- (ii) a discount of approximately 10.11% to the audited equity attributable to owners of the Company per New Share of HK\$0.089 as at 30 June 2015 (based on the audited equity attributable to owners of the Company of approximately HK\$43,274,000 as at 30 June 2015 and 484,054,336 New Shares to be in issue upon the Capital Reorganisation becoming effective);
- (iii) a premium of approximately HK\$0.131 over the unaudited capital deficiency attributable to owners of the Company per New Share of HK\$0.051 as at 31 December 2015 (based on the unaudited capital deficiency attributable to owners of the Company of approximately HK\$24,675,000 as at 31 December 2015 and 484,054,336 New Shares to be in issue upon the Capital Reorganisation becoming effective); and
- (iv) a discount of approximately 91.30% to the theoretical ex-rights price of HK\$0.92 calculated based on the theoretical quoted price of HK\$1.34 per New Share as derived in (i) above.

As stated in the Letter from the Board, the Offer Price of HK\$0.08 per Offer Share was arrived after taking into account (i) the net current liabilities position of the Group as at 30 June 2015; (ii) the funds required for the continuing operation of the Group; and (iii) the fact that trading in the Shares on the Stock Exchange has been suspended since 4 December 2014. The Directors consider that the terms of the Open Offer are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The trading in the Shares on the Stock Exchange has been suspended for more than a year, accordingly, we consider the quoted price of the Shares prior to the suspension of trading is not reflective of the current financial condition and valuation of the Company and hence, does not serve a fair basis for the evaluation of the Offer Price.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In order to assess the fairness and reasonableness of the Offer Price, we have identified companies which had been placed under the delisting procedures by the Stock Exchange pursuant to Practice Note 17 of the Listing Rules with resumption plans involving the offer of shares by way of open offers to its existing shareholders, which was approved by the Stock Exchange (subject to resumption conditions) and the relevant circular has been despatched to its shareholders (the “**Comparable Open Offers of Delisting Companies**”) during the three years preceding the Latest Practicable Date. Based on the information publicly available on the website of the Stock Exchange, we have identified 5 companies based on the selection criteria as set out above. We have considered comparing the offer price to (i) the last trading price, adjusting for the effects of the capital reorganisation but the shares of the Company and the comparable companies have been suspended for a considerable time and would not be reflective of the financial condition and valuation of the respective company; (ii) net asset value per share, but the discount/premium expressed in percentage form would not be meaningful due to the net liabilities positions of the Company and the comparable companies, while the dollar amount would not be meaningful as it would not present the discount/premium relative to the company’s respective financial position. As a result, we consider it appropriate to compare the offer price to the unaudited consolidated net tangible assets per share upon completion of the restructuring. Shareholders should note that the subject companies in the Comparable Open Offers of Delisting Companies may have different principal activities, market capitalisations, profitability and financial positions as compared to those of the Company. The circumstances surrounding the Comparable Open Offers of Delisting Companies may also be different from those relating to the Company. Details of the comparables are summarised in the following table:

Date of announcement	Company (stock code)	Premium over the unaudited consolidated net tangible assets per share upon completion of the restructuring <i>(Approximate)</i>
7 March 2016	The Grande Holdings Limited (186)	45.0%
19 May 2015	Titan Petrochemicals Group Limited (1192)	900.0%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company (stock code)	Premium over the unaudited consolidated net tangible assets per share upon completion of the restructuring (Approximate)
22 August 2014	First Mobile Group Holdings Limited (865)	18.2%
30 May 2014	Proview International Holdings Limited (334)	483.3%
28 August 2013	Mitsumaru East Kit (Holdings) Limited (2358)	150.0%
	Maximum	900.0%
	Minimum	18.2%
	Average	319.3%
The Company		14.3%

Source: Data or information from the website of the Stock Exchange

As shown above, we noted that the premium over the unaudited consolidated net tangible assets per share upon completion of the restructuring as shown by the comparable companies ranges from approximately 18.2% to approximately 900.0%, with an average of approximately 319.3%. It is noted that the premium of approximately 14.3% over the unaudited consolidated net tangible assets per share upon completion of the Proposed Restructuring of the Company falls below the range and the average of the premium over the unaudited consolidated net tangible assets per share upon completion of the restructuring of all of the Comparable Open Offers of Delisting Companies. A smaller premium would enhance the attractiveness of the open offer and encourage the existing shareholders to participate in the open offer, therefore, we consider this to be acceptable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of the above and that the Qualifying Shareholders are offered an equal opportunity to participate in the enlargement of the capital base of the Company at the same price as the Investor, we are of the view that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

Conditions precedent to the Open Offer

The Open Offer is conditional, among others, upon completion of the Capital Reorganisation and the Subscriptions which form parts of the Proposed Restructuring. Therefore, the Open Offer may or may not proceed.

No application for excess Offer Shares

The Qualifying Shareholders will not be entitled to subscribe for any Offer Share in excess of their respective assured entitlements. All Offer Shares not taken up by the Qualifying Shareholders will be underwritten by the Underwriter.

For further information of the Open Offer, please refer to the relevant sections in the Letter from the Board.

The Underwriting Agreement

On 1 August 2016, the Company and the Underwriter entered into the Underwriting Agreement pursuant to which the Underwriter has conditionally agreed to fully underwrite the Offer Shares. Principal terms of the Underwriting Agreement are set out in the following table:

Date	:	1 August 2016
Parties	:	(1) the Company; and (2) the Underwriter
Number of the Offer Shares expected to be fully underwritten by the Underwriter	:	All Offer Shares, being 242,027,168 Offer Shares

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Underwriting commission : 2.5% of the aggregate Offer Price of the Offer Shares, which was determined after arm's length negotiations between the Company and the Underwriter with reference to, among other things, the scale of the Open Offer and the market rate, and the Board considers that the underwriting commission rate to be fair and reasonable and in the interests of the Company and the Shareholders as a whole

The Underwriter is a corporation licensed to carry out type 1 (dealing in securities) regulated activities under the SFO. The Underwriter is an independent third party not connected with the Company and its connected persons and the Investor. Save for being the Placing Agent under the Placing Agreement, the Underwriter is not a party acting in concert with the Investor and/or Mr. Suen. As at the Latest Practicable Date, none of the Underwriter, its ultimate beneficial owners and/or parties acting in concert with it are interested in any Shares.

As stated in the Letter from the Board, in respect of the selection of the underwriter for the Open Offer, the Company had previously negotiated with three securities firms in respect of the Open Offer and the Underwriter has been selected as its commission rate charging to the Company for the underwriting of the Open Offer is the lowest. For the purpose of comparing the underwriting commission charging by the Underwriter we have reviewed the open offers which were announced by companies listed on the Stock Exchange during the period from 2 February 2016 to 1 August 2016, being six months from the date of the Underwriting Agreement was entered (the “**Comparable Open Offers**”). The Comparable Open Offers have been selected exhaustively based on the above criteria, which have been identified, to the best of our endeavours, in our research through public information. Shareholders should note that the subject companies in the Comparable Open Offers may have different principal activities, market capitalisations, profitability and financial positions as compared to those of the Company. The circumstances surrounding the Comparable Open Offers may also be different from those relating to the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Details of our findings on the underwriting commission on the Comparable Open Offers are summarised in the table below:

Date of announcement	Company (stock code)	Underwriting commission	Relationship of underwriter with the listed company
8 July 2016	Imagi International Holdings Ltd. (585)	3.0%	Independent third party
17 June 2016	Tesson Holdings Limited (1201)	Nil	Connected person
3 June 2016	Global Energy Resources International Group Limited (8192)	2.5%	Independent third party
2 June 2016	United Energy Group Limited (467)	3.0%	Independent third party
25 May 2016	TC Orient Lighting Holdings Limited (515)	1.25%	Independent third party
17 May 2016	Newtree Group Holdings Limited (1323)	4.0%	Independent third party
16 May 2016	Culture Landmark Investment Limited (674)	Nil	Connected person
6 May 2016	Rosan Resources Holdings Limited (578)	Nil	Connected person
3 May 2016	China Innovation Investment Limited (1217)	3.0%	One connected person and one Independent third party
8 April 2016	Titan Petrochemicals Group Limited (1192)	Nil	Connected person
1 April 2016	Neptune Group Limited (70)	3.0%	Independent third party
29 March 2016	Aurum Pacific (China) Group Limited (8148)	2.5%	Independent third party
24 March 2016	AMAX International Holdings Limited (959)	5.0%	Independent third party
11 March 2016	Grand Peace Group Holdings Limited (8108)	3.5%	Independent third party
26 February 2016	Sunway International Holdings Limited (58)	2.5%	Independent third party
23 February 2016	China Demeter Investments Limited (8120)	3.5%	Connected person

Source: Data or information from the website of the Stock Exchange

We note from the above that the underwriting commissions charged by the third party underwriters under the Comparable Open Offers were in the range of 1.25% to 5.0%, and in some cases where the underwriters are related parties to the listed companies, the underwriting commissions were generally in the range of nil to 3.5%. We are of the view that the 2.5% underwriting commission charging by the Underwriter is in line with the market range in relation to underwriting commissions charging by third party underwriters and is fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Reasons for the Open Offer

As stated in the Letter from the Board, the Open Offer forms part of the Resumption Proposal seeking the resumption of trading in the Shares, which has been suspended since 4 December 2014. Given the financial situation of the Group and having considered other fund raising alternatives for the Group, such as placing of new Shares or other convertible bonds, and the benefits and cost of each of the alternatives, the Board considered that the Open Offer would be in the interests of the Company and the Shareholders as a whole as it would raise approximately HK\$19,362,000 gross proceeds for the Company, while offering all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company at the same price as the Subscription Price and the Conversion Price and enabling the Qualifying Shareholders to continue to participate in the future development of the Company should they wish to do so.

Moreover, the Subscriptions also form part of the Resumption Proposal seeking the resumption of trading in the Shares, which has been suspended since 4 December 2014. The total gross proceeds from the Open Offer and the Subscriptions will amount to approximately HK\$419,362,000 and it is intended that of the approximately HK\$264,362,000 net proceeds from the Open Offer and the Subscriptions (after excluding the maximum amount of the consideration for the New CN Subscription to be offset against the drawn down amount of the Loans as at the completion of the New CN Subscription of HK\$150,000,000), (i) approximately HK\$120 million will be used to satisfy the annual working capital requirement of BCFC for part of season 2016/2017 and the entire season 2017/2018 (which shall primarily be used to cover the shortfall of operating cash flows of BCFC comprising mainly expenditures on wages and benefits of football players, salaries of football club management and staff, and running costs of the football stadium and match expenses representing approximately 32%, approximately 30% and approximately 26%, respectively, of the total estimated operating expenditures of BCFC for the two seasons); (ii) approximately HK\$24 million will be used to finance the expenses incurred from the operations in Hong Kong (which shall primarily be used to cover the operating expenses of the Company's head office in Hong Kong comprising mainly expenditures on salaries of staff and directors of the Company, administrative expenses of the Company, running costs of the Hong Kong office representing approximately 37%, approximately 32% and approximately 5%, respectively, of the total estimated expenditures of the Hong Kong operations for the period up till June 2018); and (iii) approximately HK\$120 million will be used, when considered appropriate, to acquire additional talented players who are expected to make contribution to and help enhance the competitiveness of the team significantly so as

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

to assist the team to reach the goal of being promoted to the Premier League in the future. It is anticipated that such amount of HK\$120 million would allow BCFC to recruit around eight to ten talented players for future football seasons. Assuming that the Proposed Restructuring will be completed and hence the proceeds from the Open Offer and the Subscriptions will be received before the end of October 2016, BCFC could utilise the proceeds received to recruit additional players during the opening of the transfer window in January 2017. Depending on the performance of the team as a whole and of individual players during the first part of season 2016/2017, BCFC will identify talented players for various positions, i.e. strikers, midfielders, defenders and goalkeepers when considered appropriate in order to strengthen the competitiveness of the team. It is also expected that upon completion of the Proposed Restructuring, the Company would be able to meet the English Football League's funding requirement as well as having sufficient capital for boosting the performance of the team with the aim to get promoted to the Premier League. In view of the net current liabilities position and net liabilities position of the Group as at 31 December 2015 and the funds required for the continuing operation of the Group, it is considered that the net proceeds from the Open Offer and the Subscriptions will substantially improve the capital base and the financial and liquidity position of the Group.

The Directors confirm that (i) the HK\$120 million for annual working capital requirement of BCFC for part of the season 2016/17 and the entire season 2017/18 is prudently determined based on the cash flow situation of BCFC for the coming season 2016/17 prepared by BCFC in January 2016; and (ii) the HK\$24 million for the operations in Hong Kong for the two years ending 30 June 2018 is determined based on the existing monthly operating expenses of the Company's head office in Hong Kong. We have reviewed the Results Forecast for the year ending 30 June 2017 and for the six months ending 31 December 2017 as set out in Appendix III to the Circular and further obtained and reviewed the document regarding BCFC's cash flow situation for season 2016/17 prepared by BCFC and the unaudited financial statements of the Group for the eleven months ended 31 May 2016. Given (i) BCFC requires additional funding to fulfill its cash flow requirements and to comply with the English Football League regulations; and (ii) the HK\$24 million is vital for the Company's head office as it does not carry any revenue generating activities, we consider the said funding requirement of the Group to be a genuine need for the Company to run its business. Additionally, the Investor undertook to the Company that the Investor will provide the necessary financial support to the Company in order to ensure that the Company has sufficient working capital for its operation in the next 18 months after the Resumption and in the event that the Company does not have sufficient working capital, the Investor will not request repayment or require

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

redemption from the Company in respect of the New Convertible Notes. Therefore, we consider that the proceeds and the undertaking from the Investor would enable the Company to have sufficient funding and/or working capital to support its operations in the next 18 months after the Resumption.

As at the Latest Practicable Date, no potential investment opportunity has been identified. The total funding needs of approximately HK\$144 million up until the end of season 2017/2018, i.e. June 2018, was estimated by the Board after taking into account the historical annual working capital requirement of BCFC and expenses incurred from the Hong Kong operations, and together with the estimated funding of HK\$120 million required for the implementation of the aforesaid recruitment plan, shall be satisfied by the total net proceeds from the Open Offer and the Subscriptions. While the Company has no plan to conduct further fund raising activities given that there is no additional funding needs for the next 12 months following Resumption based on the Board's latest estimates, in particular, the recruitment plan as disclosed above, the Board will closely monitor the performance of the team and subject to the performance of the team, BCFC may, when considered appropriate, recruit additional players with higher budgets than initially anticipated who could potentially assist the team to get promoted to the Premier League in the future, and funding needs may therefore arise.

When determining the structure of the fund raising exercises, in particular, whether the Open Offer be included in the Proposed Restructuring, the Company has taken into account that (i) the Open Offer regardless of its scale could in any event provide an opportunity to the existing Shareholders to participate in the potential growth of the Group upon completion of the Proposed Restructuring; (ii) the immediate and future funding needs of the Group to support its operations and the willingness of the Investor to provide such funding during the negotiations of the terms of the Subscription Agreements with the Company, which resulted in the size of the Subscriptions being relatively larger than the Open Offer; and (iii) the uncertainties in being able to identify an underwriter for the Open Offer offering favourable terms to the Company in light of the prolonged suspension in the trading of the Shares, the loss making results and the net current liabilities position of the Group, and if the Open Offer will involve a larger fund raising size, it is expected that the difficulty would further increase, in short, owing to the uncertainties involved in identifying an underwriter for a large sized open offer, and therefore the fund raising size of the Open Offer is relatively smaller as compared with that of the Subscriptions. In setting the Subscription Price, the Conversion Price and the Offer Price, the Company has made reference to the Company's loss making financial results and consolidated net liabilities position as at 31 December 2015, where each of the Subscription Price, the Conversion Price and the Offer Price represents a premium over the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

unaudited capital deficiency attributable to owners of the Company of approximately HK\$0.051 per New Share as at 31 December 2015 (based on the unaudited capital deficiency attributable to owners of the Company of approximately HK\$24.68 million as at 31 December 2015 and 484,054,336 New Shares to be in issue upon the Capital Reorganisation becoming effective). In addition, the Subscription Price of HK\$0.08 per Subscription Share and the Conversion Price of HK\$0.08 per New Conversion Share are the same as the Offer Price of HK\$0.08 per Offer Share, i.e. no more favourable than that to be paid by the existing Shareholders should they so wish to take up the Offer Shares under the Open Offer. Notwithstanding the dilution impact to the existing Shareholders upon completion of the Proposed Restructuring, the terms of the Open Offer and the Subscriptions were determined based on (i) the immediate and future funding needs for the operations of the Group and for the implementation of the aforesaid recruitment plan of BCFC; (ii) the rationale for the fund raising size for each of the Open Offer and the Subscriptions as elaborated above; and (iii) the setting of the Offer Price of HK\$0.08 being in line with both the Subscription Price and the Conversion Price, which represents a premium over the unaudited capital deficiency attributable to owners of the Company per New Share as at 31 December 2015. Based on the above, the Directors are of the view that the terms of the Open Offer including the Underwriting Agreement, and the Subscriptions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In view of (i) the prolonged suspension of trading in the Shares; (ii) the consolidated net current liabilities position of the Group as at 30 June 2014 and 2015 and 31 December 2015 and the net liabilities position of the Group as at 31 December 2015; (iii) the Group's loss-making history in recent years; (iv) each Qualifying Shareholder will be offered an equal opportunity to participate in the Company's future development by subscribing for his/her assured entitlements under the Open Offer; (v) the Offer Price is fair and reasonable as mentioned in the paragraph headed "The Offer Price" above; (vi) the funding requirements for the continuing operation of the Group; and (vii) the underwriting commission is fair and reasonable as mentioned in the paragraph headed "The Underwriting Agreement" above, we are of the view that the Open Offer, including the Offer Price and the Underwriting Agreement, are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. The Subscriptions

Pursuant to the Share Subscription Agreement and the New CN Subscription Agreement, the Investor has conditionally agreed to subscribe for:

- (a) the Subscription Shares, being 3,125,000,000 New Shares in the aggregate nominal value of HK\$31,250,000 at the Subscription Price of HK\$0.08 per Subscription Share at a total subscription price of HK\$250,000,000; and
- (b) the New Convertible Notes in the principal amount of HK\$150,000,000, which entitle the Investor to subscribe for up to 1,875,000,000 New Conversion Shares in the aggregate nominal value of up to HK\$18,750,000 at the Conversion Price of HK\$0.08 per New Conversion Share (subject to adjustments).

For principal terms of the Subscriptions and the New Convertible Notes, please refer to the section headed “The Subscriptions” in the Letter from the Board.

The Subscription Price and the Conversion Price

According to the Letter from the Board, the Subscription Price and the Conversion Price were determined on an arm’s length basis between the Company and the Investor with reference to (i) the net current liabilities position of the Group as at 30 June 2015; (ii) the funds required for the continuing operation of the Group; and (iii) the fact that trading in the Shares on the Stock Exchange has been suspended since 4 December 2014.

Each of the Subscription Price of HK\$0.08 per Subscription Share and the Conversion Price of HK\$0.08 per Conversion Share represents:

- (i) a discount of approximately 94.03% to the theoretical quoted price of HK\$1.34 per New Share (the quoted price of HK\$0.067 per Share has been adjusted to reflect the effects of the Capital Reorganisation as if it becomes effective) on 4 December 2014, being the last trading day before the suspension of trading in the Shares since 10:21 a.m. that day;
- (ii) a discount of approximately 10.11% to the audited equity attributable to owners of the Company per New Share of HK\$0.089 as at 30 June 2015 (based on the audited equity attributable to owners of the Company of approximately HK\$43,274,000 as at 30 June 2015 and 484,054,336 New Shares to be in issue upon the Capital Reorganisation becoming effective);

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) a premium of approximately HK\$0.131 over the unaudited capital deficiency attributable to owners of the Company per New Share of HK\$0.051 as at 31 December 2015 (based on the unaudited capital deficiency attributable to owners of the Company of approximately HK\$24,675,000 as at 31 December 2015 and 484,054,336 New Shares to be in issue upon the Capital Reorganisation becoming effective); and
- (iv) a discount of approximately 91.30% to the theoretical ex-rights price of HK\$0.92 calculated based on the theoretical quoted price of HK\$1.34 per New Share as derived in (i) above.

The trading in the Shares on the Stock Exchange has been suspended for more than a year, accordingly, we consider the quoted price of the Shares prior to the suspension of trading is not reflective of the current financial condition and valuation of the Company and hence, does not serve a fair basis for the evaluation of the Subscription Price and the Conversion Price.

Taking into account (i) both the Subscription Price and the Conversion Price represent a slight discount of approximately 10.11% and a premium of approximately HK\$0.131 over the audited equity and unaudited capital deficiency attributable to owners of the Company per New Share of HK\$0.089 and HK\$0.051 as at 30 June 2015 and 31 December 2015, respectively, and therefore represents a reasonable price in comparison to the latest financial position and value of the Company; and (ii) the funding requirement of the Group as discussed in the paragraph headed “Reasons for the Subscriptions” below and the Investor’s intention to obtain more than 50% shareholding in the Company, which would form the bases for the total proceeds and the number of Shares to issue, respectively, and thus the Subscription Price and the Conversion Price, we are of the view that the Subscription Price and the Conversion Price are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Reasons for the Subscriptions

Please refer to the section headed “PRINCIPAL FACTORS AND REASONS CONSIDERED — 4. The Open Offer including the Underwriting Agreement — Reasons for the Open Offer” in this letter for the use of proceeds and the bases for determining the structure of the Subscriptions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Loans

On 26 June 2015 and 31 May 2016, the Company entered into the Loan Facility Agreement and the Amendment Letter, respectively, with the Investor to provide a term loan facility of up to HK\$212,813,600 to the Company, of which HK\$9,813,600 would be deposited into BCFC's account with HSBC Bank plc upon which the Company will procure (i) BCFC to enter into certain security documents; and (ii) HSBC Bank plc to release certain security documents signed by BCFC in favour of HSBC Bank plc and other security interest securing BCFC's obligations under the HSBC Facility and the remaining amount of up to HK\$203,000,000 would be used for funding the operation of BCP and BCFC as and when required.

The Loans bear interest at a rate of 8% per annum and are secured by (i) a first fixed legal charge over the property owned by BCFC with a carrying value of approximately GBP19,600,000, which is equivalent to approximately HK\$239,000,000 based on the approximate exchange rate of GBP1.00 to HK\$12.19 as at 26 June 2015 in favour of the Investor; (ii) a first floating charge over all the assets, goodwill, undertaking and uncalled capital, both present and future granted or to be granted by BCFC in favour of the Investor; and (iii) a first fixed charge over all book and other debts, both present and future granted or to be granted by BCFC in favour of the Investor. As at the Latest Practicable Date, the drawn down amount of the Loans was approximately HK\$172,113,600.

In consideration of the entering into of the New CN Subscription Agreement, the Company and the Investor mutually agreed to partially set-off their mutual debts and liabilities against each other under the New CN Subscription Agreement and the Loan Facility Agreement respectively. In order to facilitate the aforesaid, on 31 May 2016, the Company, BCFC and the Investor entered into the Amendment Letter to amend certain terms of the Loan Facility Agreement including, among others, the amendment to the drawdown period of the terms of the Loans of being "the earlier of (a) 31 May 2016, and (b) the date on which the facility is fully utilised, cancelled or terminated under the Loan Facility Agreement" with the "earlier of (a) 31 May 2017, and (b) the date on which the facility is fully utilised, cancelled or terminated under the Loan Facility Agreement", and an increment in the facility amount of HK\$50,000,000. Pursuant to the Amendment Letter, at the completion of the New CN Subscription, the consideration for the New CN Subscription that shall be paid by the Investor to the Company in the amount of HK\$150,000,000 shall be settled by way of setting off an equivalent amount against the principal amount of the Loans owing by the Company to the Investor at such time.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In view of (i) the prolonged suspension of trading in the Shares; (ii) the consolidated net current liabilities position of the Group as at 30 June 2014 and 2015 and 31 December 2015 and the net liabilities position of the Group as at 31 December 2015; (iii) the Group's loss-making history in recent years; (iv) the Subscription Price and the Conversion Price are fair and reasonable as mentioned in the paragraph headed "The Subscription Price and the Conversion Price" above; and (v) the funding requirements for the continuing operation of the Group, we are of the view that the Subscriptions, including the Subscription Price and the Conversion Price, are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

6. The Whitewash Waiver

As at the Latest Practicable Date, the Concert Group did not own or control any existing Shares, convertible securities, warrants, options or derivatives in respect of the existing Shares. Upon the completion of the Proposed Restructuring, the Concert Group will, in aggregate, hold (i) approximately 81.15% of the then issued share capital of the Company as a result of the Share Subscription (before completion of the Placing Agreement); or (ii) approximately 53.36% of the then issued share capital of the Company as a result of the Share Subscription (after completion of the Placing Agreement), assuming nil subscription by the Qualifying Shareholders under the Open Offer, or approximately 50.64% of the then issued share capital of the Company as a result of the Share Subscription (after completion of the Placing Agreement), assuming full subscription by the Qualifying Shareholders under the Open Offer.

As such, the Investor would be required to make a mandatory general offer for all the issued shares of the Company (not already owned or agreed to be acquired by the Concert Group) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

The Investor has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to the approval of the Independent Shareholders at the EGM by way of poll and such other condition(s) as may be imposed by the Executive. The parties of the Concert Group and those who are involved in or interested in the Proposed Restructuring and/or the Whitewash Waiver and/or the Special Deals will abstain from voting on the relevant resolution(s) to approve the Whitewash Waiver at the EGM. If the Whitewash Waiver is granted by the Executive, the Concert Group will not be required to make a mandatory offer which would otherwise be required

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

as a result of the subscription of the Subscription Shares. The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted, the Subscription Agreements will lapse and consequentially the Open Offer, the CY Settlement Agreement, the Debt Undertaking and the UC Settlement Agreement will lapse and the Capital Reorganisation and the Resumption will not proceed.

If the Whitewash Waiver is approved by the Independent Shareholders, the aggregate shareholding of the Investor and parties acting in concert with it will exceed 50% of the then issued share capital of the Company as enlarged by the Subscription Shares. In this event, the Investor may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

The implementation of, among other things, the Subscription Agreements, the Open Offer and the Underwriting Agreement, the Settlement Agreements and the Special Deals is crucial for the Company and the Shareholders as a whole. We understand that all these transactions are inter-conditional and if any of these transactions is not approved and does not become unconditional, the Capital Reorganisation and the Resumption will not proceed. As mentioned above, the net current liabilities and net liabilities positions of the Company suggests that it is likely that the Shareholders would not receive any return if all the members in the Group were put into liquidation.

The Offer Price, Subscription Price and the Conversion Price are all at HK\$0.08 per New Share. As discussed in the sections headed “PRINCIPAL FACTORS AND REASONS CONSIDERED — 4. The Open Offer including the Underwriting Agreement” and “PRINCIPAL FACTORS AND REASONS CONSIDERED — 5. The Subscriptions”, we are of the opinion that the said prices are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

On such basis and in particular, the granting of the Whitewash Waiver is one of the conditions precedent to the Underwriting Agreement in relation to the Open Offer and the Subscription Agreements, and is a common feature in similar rescue proposals for companies which are in grave financial difficulties and subsequently revived as a result of injection of funds or assets by new investors, we are of the view that the granting of the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

7. The Settlement Agreements

In view of the outstanding legal proceedings involving the Company, (i) on 8 March 2016, the Company and BCFC entered into the CY Settlement Agreement with Mr. Yeung and RY; (ii) on 12 April 2016, the Company entered into the UC Settlement Agreement with U-Continent; and (iii) on 4 May 2016, the Company and BCFC entered into the PP Settlement Agreement with Mr. Pannu, Asia Rays and Amazing Top.

Background of the CY Settlement Agreement

On or about 20 December 2013, the Company and Mr. Yeung entered into the Debt Capitalisation Agreement and the Yeung Agreement pursuant to which in substance the Company agreed to capitalise a debt of HK\$193,500,000 owed by the Company to Mr. Yeung by issuing to Mr. Yeung the CY Convertible Notes in the principal amount of HK\$193,500,000. As at the date of the CY Settlement Agreement, Mr. Yeung had converted HK\$81,000,000 in principal of the CY Convertible Notes into 2,700,000,000 Shares. The maturity date of the remaining unconverted CY Convertible Notes in the aggregate principal amount of HK\$112,500,000 was 4 February 2016.

By a writ of summons dated 13 July 2015, the Company and BCFC commenced legal proceedings against Mr. Yeung under HCA 1590/2015 claiming a total of more than HK\$100,000,000 from Mr. Yeung for various breaches of duties whilst he was a director of the Company and BCFC.

Principal terms of the CY Settlement Agreement

On 8 March 2016, the Company, together with BCFC, entered into the CY Settlement Agreement with Mr. Yeung and RY such that:

- (i) subject to and conditional upon the fulfilment of the conditions precedent thereto as set out in the paragraph headed “THE SETTLEMENT AGREEMENTS — Conditions precedent to the CY Settlement Agreement” in the Letter from the Board, the Company agreed to extend the CYCN Maturity Date Extension;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) Mr. Yeung irrevocably and unconditionally undertakes to the Company that he shall not sell or transfer or otherwise dispose of any of his legal or beneficial interest or any other right, title, benefit or interest of whatsoever nature therein or thereto in respect of the remaining unconverted CY Convertible Notes in whole or in parts, or enter into any agreement or commitment to give or create any of the foregoing at any time before the Shares resume trading on the Stock Exchange; and
- (iii) Mr. Yeung irrevocably and unconditionally undertakes to the Company that he shall not exercise any conversion rights under the remaining unconverted CY Convertible Notes at any time before the Shares resume trading on the Stock Exchange.

Within 7 Business Days from the date of fulfilling the conditions precedent (i), (ii) and (v) as set out in the section headed “THE SETTLEMENT AGREEMENTS — Conditions precedent to the CY Settlement Agreement” in the Letter from the Board whichever is later, all parties concerned shall sign a consent summons for Mr. Yeung to withdraw: (a) his pending appeal of the Receivership Order in the High Court; and (b) his objection to the Company’s application in the Grand Court for recognition of the Receivership Order, in order for the Company to obtain the sanctioning by the Grand Court of the Proposed Restructuring and for trading in the Shares on the Stock Exchange to resume.

Upon the signing of the CY Settlement Agreement, the parties thereto have jointly signed and filed, and have done all other necessary acts to cause or procure all parties named in the following proceedings to sign and file consent summonses at the High Court to apply for an interim stay of the following proceedings:

- (i) HCA 1590/2015; and
- (ii) Mr. Yeung’s pending appeal of the Receivership Order in the High Court under High Court Miscellaneous Proceedings No. 395 of 2015.

As to the application in the Grand Court for recognition of the Receivership Order under FSD 139/2015, the Company has obtained legal advice from the Cayman Islands lawyers that it is not necessary to apply for an interim stay because the Grand Court has already ordered that the application be adjourned *sine die* pending Mr. Yeung’s disposal of the appeal of the continuation order in respect of the Receivership Order dated 28 August 2015 in the Hong Kong proceedings. As such, after the signing of the CY Settlement Agreement, no steps have been taken to apply for an interim stay of FSD 139/2015.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Within 7 Business Days from the date of fulfilling the conditions precedent (i), (ii) and (v) as set out in the section headed “THE SETTLEMENT AGREEMENTS — Conditions precedent to the CY Settlement Agreement” in the Letter from the Board whichever is later:

- (i) all parties concerned shall sign a consent summons for the Company to withdraw its pending application in the Grand Court for recognition of the Receivership Order;
- (ii) the Company and BCFC agree to irrevocably fully and forever release and discharge Mr. Yeung and RY from any actions, claims, causes of action, rights, proceedings, demands and set-offs, whether in law or in equity, of whatever nature and however arising, whether in the jurisdiction of Hong Kong or any other, whether or not known to the parties, that the Company and/or BCFC have or may have against Mr. Yeung and/or RY as of the date of the CY Settlement Agreement; and
- (iii) the Company and BCFC shall take steps to discontinue HCA 1590/2015 as against Mr. Yeung and any action against RY (if any).

Arrangement for the outstanding debts of the Company due to Mr. Yeung

Prior to the entering into of the CY Settlement Agreement, (i) the Company was indebted to Mr. Yeung the Debt in the aggregate amount of HK\$9,028,399.06, comprising accrued directors’ fees in the amount of HK\$3,457,142.86 and other amounts due to Mr. Yeung in the amount of HK\$5,571,256.20, which were both currently due for repayment; and (ii) the Company commenced the legal proceedings against Mr. Yeung through HCA 1590/2015 claiming a total of more than HK\$100,000,000 in relation to various breaches of duties whilst he was a director of the Company and BCFC.

Pursuant to the terms of the CY Settlement Agreement, the Company and BCFC shall take steps to discontinue HCA 1590/2015 against Mr. Yeung and any action against RY and on the other hand, Mr. Yeung agreed that he shall not exercise any conversion rights under the remaining unconverted CY Convertible Notes at any time before the Shares resume trading on the Stock Exchange, and withdraw his pending appeal of the Receivership Order in the High Court and his objection to the Company’s application in the Grand Court for recognition of the Receivership Order. Since any action which would result in the diminishment of the asset owned by Mr. Yeung would require the application for variation of the restraint order and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the amended restraint order made by Mrs. Justice V Bokhary on 6 July 2011 and 29 July 2011, respectively, in High Court Action No. 1254 of 2011, the CY Settlement Agreement currently makes no provision for the discharge of the Debt. In order to avoid any potential delay in the implementation of the Resumption Proposal arising from any discharge of the Debt and in consideration of the entering into of the CY Settlement Agreement without provision for the discharge of the Debt by the Company, the Investor undertook to the Company that the Investor will pay the Debt for the Company in full (subject to the CY Settlement Agreement being effective) so that the Company would not be liable to pay out of its own pocket if the repayment of the Debt is demanded and no cash outflow by the Company will be involved.

Background of the UC Settlement Agreement

Pursuant to the U-Continent First Agreement and the U-Continent Second Agreement entered into between the Company and U-Continent dated 12 November 2013 and 19 November 2013 respectively, the Company agreed to issue to U-Continent zero interest unsecured UC First Convertible Notes in the principal amount of HK\$50,000,000 and UC Second Convertible Notes in the principal amount of HK\$125,000,000, respectively. The U-Continent First Agreement and the first tranche of the U-Continent Second Agreement in the total principal amount of HK\$155,000,000 were completed on 5 February 2014. The second tranche of the U-Continent Second Agreement in the principal amount of HK\$20,000,000 was completed on 14 April 2014.

U-Continent has converted HK\$10,000,000 in principal of the UC First Convertible Notes and HK\$45,000,000 in principal of the UC Second Convertible Notes into 333,333,333 Shares and 1,500,000,000 Shares in the Company on 5 February 2014 and 9 October 2014, respectively, in aggregate representing approximately 18.94% of the issued share capital of the Company as at the Latest Practicable Date. The maturity dates of the remaining unconverted UC First Convertible Notes in the balance amount of HK\$40,000,000 in principal, the first tranche of the UC Second Convertible Notes remaining unconverted in the balance amount of HK\$60,000,000 in principal and the second tranche of the UC Second Convertible Notes in the amount of HK\$20,000,000 in principal were 4 February 2016, 4 February 2016 and 13 April 2016 respectively.

As mentioned in the announcement of the Company dated 21 July 2015 in respect of a writ of summons against U-Continent, U-Continent represented that at the time of entering into of the U-Continent Agreements and up until the time of completion of the U-Continent Agreements, U-Continent was independent from and not acting in concert with any of the directors or substantial shareholders of the Company. At the material times, the Company considered that alleged misrepresentations may be given

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

by U-Continent at the time of entering into and/or completion of the U-Continent Agreements, as the Company considered that U-Continent shall be deemed as a party acting in concert with Mr. Yeung and that Mr. Yeung was the Company's substantial shareholder and executive director. By way of a letter dated 20 July 2015, the Company had rescinded the U-Continent Agreements and on 21 July 2015 issued a writ against U-Continent under High Court Action No. 1648 of 2015 seeking, among other things, a declaration that it had validly rescinded the U-Continent Agreements and an order compelling U-Continent to return the converted Shares to the Company. There was no further evidence proving U-Continent being a party acting in concert with Mr. Yeung based on the Company's latest observations and findings. Further, subsequent to the publication of the Announcement, the Company received a letter from the solicitor of Mr. Yeung denying any concert party relationship between Mr. Yeung and U-Continent as alleged by the Company. The Company's allegation that a concert party relationship exists between Mr. Yeung and U-Continent cannot be conclusively proved.

In the absence of any further evidence proving any concert party allegation and the subsequent confirmation received from the solicitor of Mr. Yeung denying any concert party relationship as alleged by the Company, the Company's claim is by no means straightforward as its allegation is at a very early stage and the writ has not been served on U-Continent pending further legal advice; and Mr. Yeung will strongly refute such concert party allegation. Given the fact that it will definitely be costly and difficult to pursue the claim to the end, the Receivers decided that the most important task at hand is to enable the Company to implement the Proposed Restructuring in the interests of the Company and Shareholders and therefore to stay any further action while negotiating possible settlement with U-Continent (please refer to section headed "Reasons for the entering into of the Settlement Agreements" in the Letter from the Board).

Principal terms of the UC Settlement Agreement

On 12 April 2016, the Company entered into the UC Settlement Agreement with U-Continent such that:

- (i) subject to and conditional upon the fulfilment of all the conditions precedent as set out in the section headed "THE SETTLEMENT AGREEMENTS — Conditions precedent to the UC Settlement Agreement" in the Letter from the Board, the Company agrees to the UCCN Maturity Date Extension;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) U-Continent irrevocably and unconditionally undertakes to the Company that it shall not sell or transfer or otherwise dispose of any of its legal or beneficial interest or any other right, title, benefit or interest of whatsoever nature therein or thereto in respect of the unconverted UC Convertible Notes in whole or in parts, or enter into any agreement or commitment to give or create any of the foregoing at any time before the Shares resume trading on the Stock Exchange; and
- (iii) U-Continent irrevocably and unconditionally undertakes to the Company that it shall not exercise any conversion rights under the UC Convertible Notes at any time before the Shares resume trading on the Stock Exchange.

Pursuant to the terms of the UC Settlement Agreement, the Company and U-Continent shall, within seven (7) Business Days, jointly sign and file consent summons at the High Court to apply for an interim stay of the High Court Action No. 1648 of 2015 with liberty for both and/or either of the parties to restore. As the Company has not taken any steps to serve the writ on U-Continent and U-Continent is not in a position to sign any consent summons for interim stay, the Company provided an undertaking by way of a letter dated 15 April 2016 that the Company would not serve the writ against U-Continent (subject to certain obligations of the Company and U-Continent set out in the UC Settlement Agreement). On 26 April 2016, U-Continent's solicitors replied saying that U-Continent is agreeable to the Company's provision of the undertaking.

Within 7 Business Days from the date of fulfilling the conditions precedent (i), (ii) and (v) as set out in the section headed "THE SETTLEMENT AGREEMENTS — Conditions precedent to the UC Settlement Agreement" in the Letter from the Board whichever is later:

- (i) the Company shall waive, and fully and forever release and discharge U-Continent and its Associates from, all actions, claims, causes of action, rights, demands, costs and liabilities of whatever nature, whether in the jurisdiction of Hong Kong or any other, whether actual or contingent, contained in the High Court Action No. 1648 of 2015 and/or in connection with or arising out of the subject matters of the High Court Action No. 1648 of 2015;
- (ii) the Company shall file and serve a notice of discontinuance under the High Court Action No. 1648 of 2015, with each party shall bear its own legal costs notwithstanding any previous costs order or the applicable Rules of Court to the contrary; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) U-Continent agrees to irrevocably fully and forever release and discharge the Company and its Associates from any actions, claims, causes of action, rights, proceedings, demands and set-offs, whether in law or in equity, of whatever nature and however arising, whether in the jurisdiction of Hong Kong or any other, that U-Continent and/or its Associates have ever had or may have against the Company and/or its Associates in respect of the Company's rescission of the U-Continent Agreements.

Background of the PP Settlement Agreement

It is stated in the interim report of the Company dated 26 February 2016 the latest status of LBTC 1470/2015 now designated as HCA 1355/2015 commenced by Mr. Pannu against the Company and HCA 1590/2015 commenced by the Company and BCFC against Asia Rays and Amazing Top.

Mr. Pannu is a former executive director of the Company, a former director of BCP and BCFC and the sole registered shareholder of Asia Rays, Amazing Top and BCLFC. As at the date of the Company's announcement in respect of its entering into of the PP Settlement Agreement, Mr. Pannu was interested in 1,500,000 Shares.

On 11 May 2015, Mr. Pannu commenced an action against the Company in the Labour Tribunal of Hong Kong under LBTC 1470/2015 claiming approximately HK\$3.6 million (plus interest) from the Company for alleged wrongful dismissal of him as a director of the Company. The action was subsequently transferred to the High Court and designated as HCA 1355/2015, whereupon Mr. Pannu added further claims of unspecified quantum against the Company for alleged libel. By way of a consent summons filed on 20 April 2016 pending consent by the High Court, the parties have applied for a stay of proceedings under HCA 1355/2015 pending settlement negotiations. The summons was sealed by the High Court on 12 May 2016.

By writ of summons dated 13 July 2015, the Company and BCFC commenced legal proceedings against Asia Rays and Amazing Top under HCA 1590/2015 claiming approximately HK\$3.7 million and GBP1.5 million from Asia Rays and GBP180,000 from Amazing Top for monies alleged wrongfully received from the Company and BCFC. By way of summons dated 25 September 2015, the Company and BCFC applied for leave to add Mr. Pannu as a defendant to HCA 1590/2015, claiming approximately HK\$11 million and GBP4.5 million from Mr. Pannu for various alleged breaches of duties whilst he was a director of the Company and BCFC. By way of summons dated 15 October 2015, the Company and BCFC applied to file

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

an amended writ of summons and amended statement of claims related to HCA 1590/2015. By way of a consent summons sealed by the High Court on 15 April 2016, argument for HCA 1590/2015, which has been adjourned to 13 April 2016, has been adjourned *sine die* and proceedings against Asia Rays and Amazing Top have been stayed.

Principal terms of the PP Settlement Agreement

Subject to and conditional upon the fulfilment of the conditions precedent as set out in the section headed “THE SETTLEMENT AGREEMENTS — Conditions precedent to the PP Settlement Agreement” in the Letter from the Board:

- (i) the Company and BCFC and/or their Associates agree to fully and forever release and discharge Mr. Pannu, Asia Rays and Amazing Top and/or their Associates from any actions, claims, causes of action, rights, proceedings, demands and set-offs, whether in law or in equity, of whatever nature and however arising, whether in the jurisdiction of Hong Kong or any other, whether or not known to the parties, that the Company and/or BCFC and/or their Associates have against Mr. Pannu, Asia Rays and/or Amazing Top and/or their Associates as of the date of the PP Settlement Agreement, including but not limited to all claims brought or intended to be brought under HCA 1590/2015 or by way of counterclaim under HCA 1355/2015 and all claims asserted in letters before action and statutory demands issued up to the date of the PP Settlement Agreement; and
- (ii) Mr. Pannu, Asia Rays, Amazing Top and/or their Associates agree to fully and forever release and discharge the Company and/or its Associates from any actions, claims, causes of action, rights, proceedings, demands and set-offs, whether in law or in equity, of whatever nature and however arising, whether in the jurisdiction of Hong Kong or any other, whether or not known to the parties, that Mr. Pannu, Asia Rays and Amazing Top and/or their Associates have or may have against the Company and/or its Associates as at the date of the PP Settlement Agreement, including but not limited to all claims brought under HCA 1355/2015, LBTC 1470/2015 and all claims asserted in letters before action and statutory demands issued up to the date of the PP Settlement Agreement.

Within 14 days following fulfilment of the conditions precedent as set out in the section headed “THE SETTLEMENT AGREEMENTS — Conditions precedent to the PP Settlement Agreement” in the Letter from the Board:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (a) the Company and BCFC shall sign and file, and do all other necessary acts to cause or procure all parties named under HCA 1590/2015 to sign and file, consent summons at the High Court as soon as practicable to discontinue HCA 1590/2015 as against, Mr. Pannu if he is joined as a party and, Asia Rays and Amazing Top; and
- (b) Mr. Pannu shall sign and file, and do all other necessary acts to cause or procure all parties named under HCA 1355/2015 to sign and file, consent summons at the High Court as soon as practicable to discontinue HCA 1355/2015.

In the event that any of the conditions precedent as set out in the section headed “THE SETTLEMENT AGREEMENTS — Conditions precedent to the PP Settlement Agreement” in the Letter from the Board is not met, the obligations of each party to the PP Settlement Agreement described above shall automatically become null and void and shall have no legal effect whatsoever and the parties to the PP Settlement Agreement shall be fully discharged from all and any obligations and liabilities thereunder.

Mr. Pannu has, within 14 Business Days of the signing of the PP Settlement Agreement, caused and executed documents to transfer his entire shareholding in BCLFC to BCFC in escrow for the same to be released to the Company or its nominee within 14 days of fulfillment of the conditions precedent as set out in the section headed “THE SETTLEMENT AGREEMENTS — Conditions precedent to the PP Settlement Agreement” in the Letter from the Board.

Reasons for the entering into of the Settlement Agreements

According to the Letter from the Board, the terms of the Settlement Agreements were agreed following arm’s length negotiations between the Company, BCFC (if applicable) and respective parties to each of the Settlement Agreements. In view of the outstanding legal proceedings in respect of the claims against the Company, the entering into of the Settlement Agreements could facilitate the discontinuation of certain actions against the Group and the settlement of certain claims and/or debts from each of U-Continent, Mr. Yeung and Mr. Pannu which could facilitate the resumption of trading of the Shares. Further, in order to minimise any substantial change in the shareholding of the Company except the effect of the Proposed Restructuring prior to the Resumption for smooth execution of the Resumption Proposal, it is agreed that both Mr. Yeung and U-Continent will not transfer to any person or convert the whole or any part of the outstanding CY Convertible Notes

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and the outstanding UC Convertible Notes prior to the Resumption respectively. The parties to the CY Settlement Agreement and the UC Settlement Agreement further agreed to extend the maturity dates of the outstanding CY Convertible Notes and the outstanding UC Convertible Notes to 31 December 2016 (or such other date as the parties may agree in writing) in consideration of the entering into of the CY Settlement Agreement and the UC Settlement Agreement, respectively. In consideration of the entering into of the CY Settlement Agreement without provision for the discharge of the Debt by Mr. Yeung, the Investor would pay the Debt for the Company under the Debt Undertaking in full such that the Company would not be liable to pay out of its own pocket if the repayment of the Debt is demanded and no cash outflow by the Company will be involved.

We note that the passing of the relevant resolution by the Independent Shareholders at the EGM authorising the performance of the transactions contemplated under the respective Settlement Agreements is one of the conditions precedent of the Subscription Agreements and the entering into of the Settlement Agreements could facilitate the discontinuation of certain actions against the Group and the settlement of certain claims and/or debts from each of U-Continent, Mr. Yeung and Mr. Pannu which would facilitate the Resumption. In the event that the Subscriptions and the Resumption is not successful, the Group will become insolvent and might be placed into liquidation/administration as a last resort.

Further, the Investor undertook to the Company that the Investor will pay the Debt for the Company in full (subject to the CY Settlement Agreement being effective) so that the Company would not be liable to pay out of its own pocket if the repayment of the Debt is demanded, which is wholly beneficial to the Group as no cash outflow by the Company will be involved.

Having considered the above bases, we are of the view that the terms of the Settlement Agreements and the Debt Undertaking are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

8. The Special Deals

Pursuant to the terms of the UC Settlement Agreement and the CY Settlement Agreement, it is one of the conditions precedent that the Shares shall resume trading on the Stock Exchange, which is subject to completion of the Proposed Restructuring. In addition, the entering into of each of the UC Settlement Agreement (which includes an extension of the maturity dates of the remaining unconverted

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

UC Convertible Notes) with U-Continent (who is a Shareholder), the entering into of the CY Settlement Agreement (which includes an extension of the maturity date of the remaining unconverted CY Convertible Notes) with Mr. Yeung (who is a Shareholder), RY and BCFC and the entering into of the PP Settlement Agreement (which involves the mutually discontinuance of HCA 1355/2015 and HCA 1590/2015 thereby deriving a benefit from the PP Settlement Agreement) with Mr. Pannu (who is a Shareholder), Asia Rays, Amazing Top and BCFC, which is not extended to all the other Shareholders, constitutes a special deal under Rule 25 of the Takeovers Code. Further, the Debt Undertaking was given by the Investor in consideration of the entering into of the CY Settlement Agreement by the Company and therefore in substance forms part of the CY Settlement Agreement. The arrangement under the Debt Undertaking between the Investor and Mr. Yeung (who is a Shareholder), which is not extended to all the other Shareholders, also constitutes a special deal under Rule 25 of the Takeovers Code. The Special Deals require consent from the Executive under Rule 25 of the Takeovers Code and the requested consent may or may not be granted by the Executive. Such consent, if granted, shall be conditional upon the approval of the Independent Shareholders by way of a poll at the EGM and the Independent Financial Adviser to the Independent Board Committee publicly stating in its opinion that the terms of the Special Deals are fair and reasonable. The Company has applied to the Executive for its consent to the Special Deals under Rule 25 of the Takeovers Code. If such consent is not granted, the Settlement Agreements and the Debt Undertaking will lapse and consequentially the Open Offer, the Subscription Agreements will lapse and the Capital Reorganisation and the Resumption will not proceed.

Taking into account (i) the Debt Undertaking was given by the Investor in consideration of the entering into of the CY Settlement Agreement by the Company and therefore in substance forms part of the CY Settlement Agreement, which forms part of the Resumption Proposal and is vital to the resumption of trading in the Shares; (ii) the granting of consent to the Special Deals by the Executive is one of the conditions precedent of the Subscription Agreements; (iii) the Company is not capable of extending the Settlement Agreements, due to their nature, to the Shareholders whom are not parties to the Settlement Agreements; (iv) we are of the opinion that the Settlement Agreements are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole (please see the section headed “PRINCIPAL FACTORS AND REASONS CONSIDERED — 7. The Settlement Agreements” for the bases); (v) the implementation of the Settlement Agreements is part of the Resumption Proposal and in the event that the Capital Reorganisation and Resumption is not successful, the Group will become insolvent and might be placed into liquidation/administration as a last resort; (vi) the entering into of the Settlement Agreements

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

could facilitate the discontinuation of certain actions against the Group and the settlement of certain claims and/or debts from each of U-Continent, Mr. Yeung and Mr. Pannu which could facilitate the resumption of trading of the Shares; and (vii) Shareholders including (a) the Investor and its ultimate beneficial owners, Mr. Yeung, RY, U-Continent, Mr. Pannu, Asia Rays, Amazing Top, Mr. Wang Lei, Ms. Wang Man Li and parties acting in concert with any of them; and (b) any Shareholders who are involved in and/or interested in the Proposed Restructuring and/or the Whitewash Waiver and/or the Special Deals will abstain from voting on the resolutions to approve the Special Deals, we are of the view that the terms of the Special Deals are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole.

9. Possible dilution effect of the Open Offer and the Subscriptions on the shareholdings of existing public Shareholders

Upon completion of the Proposed Restructuring and assuming full conversion of the Existing Convertible Notes and the New Convertible Notes, it is expected that there will be a potential dilution effect on the existing Shareholders' interests of approximately 83.30% assuming nil subscription by the existing Shareholders under the Open Offer, whereas the corresponding dilution effect assuming full subscription by the existing Shareholders under the Open Offer will be approximately 79.45%.

In order to assess the fairness and reasonableness of the dilution effect to the shareholding of the existing Shareholders, we have identified companies which had been placed under the delisting procedures by the Stock Exchange pursuant to Practice Note 17 of the Listing Rules with resumption plans involving the offer of shares by way of open offers to its existing shareholders, the subscription of shares and/or convertible notes (assuming full conversion thereof) which was approved by the Stock Exchange (subject to resumption conditions) (the “**Comparable Dilution Effect of Delisting Companies**”) during the three years preceding the Latest Practicable Date. Based on the information publicly available on the website of the Stock Exchange, we have identified 6 companies based on the selection criteria as set out above. We have also assumed none of the open offer shares were taken up by their respective existing shareholders of the companies in the Comparable Dilution Effect of Delisting Companies. Shareholders should note that the subject companies in the Comparable Dilution Effect of Delisting Companies may have different principal activities, market capitalisations, profitability and financial positions as

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

compared to those of the Company. The circumstances surrounding the Comparable Dilution Effect of Delisting Companies may also be different from those relating to the Company. Details of the comparables are summarised in the following table:

Date of announcement	Company (stock code)	Potential maximum dilution to the existing shareholders (Approximate)
22 April 2016	Z-Obee Holdings Limited (948)	92.1%
17 June 2015	Long Success International (Holdings) Limited (8017)	73.8%
19 May 2015	Titan Petrochemicals Group Limited (1192)	80.6%
22 August 2014	First Mobile Group Holdings Limited (865)	96.7%
30 May 2014	Proview International Holdings Limited (334)	95.5%
28 August 2013	Mitsumaru East Kit (Holdings) Limited (2358)	82.5%
	Maximum	96.7%
	Minimum	73.8%
	Average	86.9%
The Company		83.3%

Source: Data or information from the website of the Stock Exchange

As shown above, we noted that the dilution effect to the existing shareholders as shown by the comparable companies ranges from approximately 73.8% to approximately 96.7%, with an average of approximately 86.9%. It is noted that the dilution effect to the existing Shareholders, upon completion of the Proposed Restructuring, of approximately 83.3% is within the range and below the average of the dilution effect of all of the Comparable Dilution Effect of Delisting Companies.

Having considered that (i) our analysis above demonstrating that the dilution effect to the existing Shareholders upon completion of the Proposed Restructuring is within the range and below the average of the dilution effect of all of the Comparable Dilution Effect of Delisting Companies; (ii) the Company is under prolonged suspension of trading in the Shares and the resumption of trading in the Shares

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

is expected if, among others, the Proposed Restructuring is completed; (iii) the consolidated net current liabilities position of the Group as at 30 June 2014 and 2015 and 31 December 2015 and the net liabilities position of the Group as at 31 December 2015 and following the completion of the Proposed Restructuring, based on the unaudited pro forma statement of financial information of the Group as set out in Appendix II to the Circular, the Group's financial position would be returned into a net assets position; (iv) the Group, having considered its financial position and performance, is unlikely to have the ability to repay its indebtedness with internal resources in the absence of the proceeds from the Open Offer and the Subscriptions and might eventually be placed into liquidation/administration and in such case, the Shareholders will be unlikely to receive any return from their investments in the Company; (v) each Qualifying Shareholder will be offered an equal opportunity to participate in the Company's future development by subscribing for his/her assured entitlements under the Open Offer; and (vi) the proceeds from the Open Offer and the Subscriptions will provide sufficient funding for the Group's operations in the coming two years, we are of the view that the possible dilution effects as a result of the Proposed Restructuring is acceptable.

10. Possible financial effects of the transactions contemplated under the Resumption Proposal

Based on the unaudited pro forma consolidated statement of financial position of the Group as set out in Appendix II to the Circular, the unaudited pro forma adjusted consolidated net assets of the Group will be approximately HK\$515.8 million upon completion of the Proposed Restructuring. This represents a significant improvement from the unaudited consolidated net liabilities of the Group of approximately HK\$23.5 million as at 31 December 2015.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we concur with the view of the Board that the terms of the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and the Special Deals, and all the transactions contemplated thereunder accordingly are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the relevant resolutions in relation to the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and the Special Deals, and all the transactions contemplated thereunder accordingly at the EGM.

Yours faithfully,
For and on behalf of
TC Capital International Limited
Edward Wu
Chairman

Note: Mr. Edward Wu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the SFO since 2005. He has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

1. FINANCIAL INFORMATION OF THE GROUP

(A) Financial summary of the Group

Set out below is a summary of (a) the audited financial results of the Group (i) for the year ended 30 June 2013 as extracted from the published annual report of the Company for the year ended 30 June 2013 and taken into account the prior year adjustments as extracted from the annual report for the year ended 30 June 2015; (ii) for the year ended 30 June 2014 as extracted from the Special Audit for the year ended 30 June 2014; and (iii) for the year ended 30 June 2015 as extracted from the published annual report of the Company for the year ended 30 June 2015; and (b) the unaudited interim results of the Group (i) for the six months ended 31 December 2015; and (ii) for the six months ended 31 December 2014, as extracted from the published interim report of the Company for the six months ended 31 December 2015.

RESULTS	For the year ended 30 June			For the six months ended 31 December	
	2013 HK\$'000 (audited) (Restated)	2014 HK\$'000 (audited) (Restated)	2015 HK\$'000 (audited)	2014 HK\$'000 (unaudited) (Restated)	2015 HK\$'000 (unaudited)
Revenue	<u>294,497</u>	<u>253,227</u>	<u>253,584</u>	<u>143,797</u>	<u>95,142</u>
Loss before taxation	(107,087)	(139,549)	(7,879)	(3,082)	(55,716)
Income tax credit/(expenses)	<u>4,944</u>	<u>(21,032)</u>	<u>3,471</u>	<u>—</u>	<u>1,682</u>
Loss for the year/period	(102,143)	(160,581)	(4,408)	(3,082)	(54,034)
Other comprehensive expenses for the year/period	<u>(315)</u>	<u>(1,836)</u>	<u>(16,704)</u>	<u>(13,782)</u>	<u>(15,704)</u>
Total comprehensive expenses for the year/period	<u>(102,458)</u>	<u>(162,417)</u>	<u>(21,112)</u>	<u>(16,864)</u>	<u>(69,738)</u>
Loss for the year/period attributable to:					
Owners of the Company	(100,315)	(157,430)	(4,161)	(4,100)	(52,772)
Non-controlling interests	<u>(1,828)</u>	<u>(3,151)</u>	<u>(247)</u>	<u>1,018</u>	<u>(1,262)</u>
	<u>(102,143)</u>	<u>(160,581)</u>	<u>(4,408)</u>	<u>(3,082)</u>	<u>(54,034)</u>
Total comprehensive expenses attributable to:					
Owners of the Company	(100,619)	(159,206)	(20,303)	(14,326)	(67,949)
Non-controlling interests	<u>(1,839)</u>	<u>(3,211)</u>	<u>(809)</u>	<u>(2,538)</u>	<u>(1,789)</u>
	<u>(102,458)</u>	<u>(162,417)</u>	<u>(21,112)</u>	<u>(16,864)</u>	<u>(69,738)</u>
Loss per share					
Basic and diluted (HK cent(s))	<u>(2.58)</u>	<u>(3.49)</u>	<u>(0.05)</u>	<u>(0.06)</u>	<u>(0.55)</u>

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

ASSETS AND LIABILITIES	As at			As at
	2013	30 June	2015	31 December
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(unaudited)
	(Restated)	(Restated)		
Non-current assets	<u>302,098</u>	<u>326,386</u>	<u>289,291</u>	<u>277,907</u>
Current assets	162,863	200,006	114,794	86,918
Current liabilities	<u>303,056</u>	<u>439,732</u>	<u>260,433</u>	<u>336,744</u>
Net current liabilities	(140,193)	(239,726)	(145,639)	(249,826)
Non-current liabilities	<u>(242,729)</u>	<u>(64,351)</u>	<u>(97,455)</u>	<u>(51,622)</u>
NET (LIABILITIES)/ASSETS	<u>(80,824)</u>	<u>22,309</u>	<u>46,197</u>	<u>(23,541)</u>
(Capital deficiency)/equity				
attributable to:				
Owners of the Company	(81,084)	18,577	43,274	(24,675)
Non-controlling interests	<u>260</u>	<u>3,732</u>	<u>2,923</u>	<u>1,134</u>
(CAPITAL DEFICIENCY)/				
TOTAL EQUITY	<u>(80,824)</u>	<u>22,309</u>	<u>46,197</u>	<u>(23,541)</u>

There were no extraordinary items or exceptional items because of size, nature or incidence in respect of the consolidated statement of profit or loss and other comprehensive income of the Group and no dividend was declared or paid for each of the aforesaid years and periods. Disclaimer of opinions have been reported in the auditor's report issued by JH CPA Alliance Limited for the year ended 30 June 2013, in the Special Audit issued by ZHONGHUI ANDA CPA Limited for the year ended 30 June 2014 and in the auditor's report issued by ZHONGHUI ANDA CPA Limited for the year ended 30 June 2015 which have been extracted from the respective annual reports of the Company and the Special Audit in the section headed "2. DISCLAIMER OF OPINIONS" from page I-61 to page I-76 in this Appendix I.

(B) For the year ended 30 June 2015

Set out below is the consolidated financial statements of the Group for the year ended 30 June 2015 as extracted from the published annual report of the Company for the year ended 30 June 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated) <i>(Note 2a)</i>
Revenue	8	253,584	253,227
Operating expenses		<u>(273,156)</u>	<u>(362,107)</u>
Loss from operations before amortisations		(19,572)	(108,880)
Other income	9	37,723	15,169
Gain on settlement of borrowings		27,958	33,275
Profit on sales of players' registration		22,647	42,758
Amortisation of intangible assets		(4,859)	(4,786)
Administrative and other expenses		(71,301)	(98,818)
Finance costs	10	<u>(475)</u>	<u>(18,267)</u>
Loss before taxation		(7,879)	(139,549)
Income tax credit/(expense)	11	<u>3,471</u>	<u>(21,032)</u>
Loss for the year	12	(4,408)	(160,581)

		2015	2014
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated) <i>(Note 2a)</i>
Other Comprehensive expenses			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of overseas subsidiaries		<u>(16,704)</u>	<u>(1,836)</u>
Total comprehensive expenses for the year		<u><u>(21,112)</u></u>	<u><u>(162,417)</u></u>
Loss for the year attributable to:			
Owners of the Company	<i>15</i>	(4,161)	(157,430)
Non-controlling interests		<u>(247)</u>	<u>(3,151)</u>
		<u><u>(4,408)</u></u>	<u><u>(160,581)</u></u>
Total comprehensive expenses attributable to:			
Owners of the Company		(20,303)	(159,206)
Non-controlling interests		<u>(809)</u>	<u>(3,211)</u>
		<u><u>(21,112)</u></u>	<u><u>(162,417)</u></u>
Loss per share			
— Basic and diluted (HK cent(s))	<i>17</i>	<u><u>(0.05)</u></u>	<u><u>(3.49)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2015*

		30 June 2015	30 June 2014	1 July 2013
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated) <i>(Note 2a)</i>	<i>HK\$'000</i> (Restated) <i>(Note 2a)</i>
Non-current assets				
Property, plant and equipment	18	246,912	281,425	264,119
Intangible assets	19	41,756	43,627	37,896
Deposits, prepayments and other receivables	23	623	1,334	83
		<u>289,291</u>	<u>326,386</u>	<u>302,098</u>
Current assets				
Inventories	21	1,603	1,667	2,225
Trade receivables	22	12,274	19,153	93,687
Deposits, prepayments and other receivables	23	42,101	35,185	15,705
Amounts due from related companies	24	—	993	1,249
Cash held at non-bank financial institutions		1	1	1
Bank balances and cash	25	58,815	143,007	49,996
		<u>114,794</u>	<u>200,006</u>	<u>162,863</u>
Current liabilities				
Transfer fee payables	26	1,097	3,802	8,428
Trade payables	27	14,910	26,284	28,705
Accruals and other payables	28	47,634	53,561	56,879
Deferred capital grants	29	695	752	672
Amounts due to former directors	30	10,769	10,780	5,198
Deferred income	31	23,142	22,500	23,770
Borrowings	32	139,974	298,296	178,442
Amounts due to directors		—	—	554
Income tax payable		22,212	23,757	418
		<u>260,433</u>	<u>439,732</u>	<u>303,056</u>
Net current liabilities		<u>(145,639)</u>	<u>(239,726)</u>	<u>(140,193)</u>
Total assets less current liabilities		<u>143,652</u>	<u>86,660</u>	<u>161,905</u>

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

		30 June	30 June	1 July
		2015	2014	2013
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Restated)	(Restated)
			<i>(Note 2a)</i>	<i>(Note 2a)</i>
Non-current liabilities				
Transfer fee payables	26	296	704	—
Accruals and other payables	28	—	521	—
Deferred capital grants	29	19,907	22,298	20,600
Borrowings	32	43,869	834	2,025
Amounts due to directors		—	—	182,808
Deferred tax liabilities	33	33,383	39,994	37,296
		<u>97,455</u>	<u>64,351</u>	<u>242,729</u>
NET ASSETS/(LIABILITIES)		<u><u>46,197</u></u>	<u><u>22,309</u></u>	<u><u>(80,824)</u></u>
Capital and reserves				
Share capital	34	96,811	54,811	38,878
Reserves	34	(53,537)	(36,234)	(119,962)
Equity/(capital deficiency) attributable to owners of the Company		43,274	18,577	(81,084)
Non-controlling interests		2,923	3,732	260
TOTAL EQUITY/(CAPITAL DEFICIENCY)		<u><u>46,197</u></u>	<u><u>22,309</u></u>	<u><u>(80,824)</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the year ended 30 June 2015*

	Attributable to owners of the Company								
	Share capital	Share premium	Capital reserve	Foreign currency translation reserve	Convertible bonds reserve	Accumulated losses	Total	Non-controlling interests	Total
	(Note 34(a)(i))	(Note 34(a)(ii))	(Note 34(a)(iii))	(Note 34(a)(iv))	(Note 34(a)(v))				
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
At 1 July 2013, as previously stated	38,878	1,132,593	6,510	(13,018)	—	(1,264,492)	(99,529)	260	(99,269)
Effect of prior year adjustments	—	—	—	—	—	18,445	18,445	—	18,445
At 1 July 2013, as restated	38,878	1,132,593	6,510	(13,018)	—	(1,246,047)	(81,084)	260	(80,824)
Total comprehensive expenses for the year	—	—	—	(1,776)	—	(157,430)	(159,206)	(3,211)	(162,417)
Loss on deed novation	—	—	—	—	—	(6,683)	(6,683)	6,683	—
Issue of convertible bonds	—	—	—	—	193,500	—	193,500	—	193,500
Issue of shares	15,933	56,117	—	—	—	—	72,050	—	72,050
Change in equity for the year	15,933	56,117	—	(1,776)	193,500	(164,113)	99,661	3,472	103,133
At 30 June 2014, as restated	54,811	1,188,710	6,510	(14,794)	193,500	(1,410,160)	18,577	3,732	22,309
At 1 July 2014, as previously stated	54,811	1,188,710	6,510	(14,794)	350,500	(1,424,289)	161,448	3,732	165,180
Effect of prior year adjustments	—	—	—	—	(157,000)	14,129	(142,871)	—	(142,871)
At 1 July 2014, as restated	54,811	1,188,710	6,510	(14,794)	193,500	(1,410,160)	18,577	3,732	22,309
Total comprehensive expense for the year	—	—	—	(16,142)	—	(4,161)	(20,303)	(809)	(21,112)
Issue of shares	15,000	30,000	—	—	—	—	45,000	—	45,000
Issue of shares upon conversion of convertible bonds	27,000	54,000	—	—	(81,000)	—	—	—	—
Change in equity for the year	42,000	84,000	—	(16,142)	(81,000)	(4,161)	24,697	(809)	23,888
At 30 June 2015	96,811	1,272,710	6,510	(30,936)	112,500	(1,414,321)	43,274	2,923	46,197

CONSOLIDATED STATEMENT OF CASH FLOWS*For the year ended 30 June 2015*

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
		(Note 2a)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(7,879)	(139,549)
Adjustments for:		
Finance costs	475	18,267
Interest income	(137)	(142)
Depreciation	16,482	11,408
Gain on disposals of property, plant and equipment	(63)	(230)
Gain on deregistration of subsidiaries	—	(419)
Net gain on proposed settlement with a vendor	(6,500)	—
Amortisation of intangible assets	4,859	4,786
Profit on sale of players' registration	(22,647)	(42,758)
Reverse of excess provision for Donation	(13,069)	(6,584)
Impairment of property, plant and equipment	1,166	—
Impairment of trade receivables	1,438	28
Impairment of due form related companies	993	—
Impairment of amount due from former director	1,500	—
Gain on settlement of borrowings	<u>(27,958)</u>	<u>(33,275)</u>
Operating cash flow before working capital changes	(51,340)	(188,468)
Change in inventories	(62)	785
Change in trade receivables	(2,338)	79,833
Change in prepayments, deposits and other receivables	(10,038)	(24,088)
Change in trade payables	(134)	(4,438)
Change in other payables and accruals	8,224	1,324
Change in transfer fee payables	(2,737)	(4,703)
Change in amount due to former directors	(11)	—
Change in deferred capital grants	(682)	1,778
Change in deferred income	<u>2,325</u>	<u>(3,912)</u>
Net cash flows used in operating activities	<u>(56,793)</u>	<u>(141,889)</u>

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated) <i>(Note 2a)</i>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(4,509)	(13,227)
Acquisition of intangible assets	(6,437)	(6,400)
Proceeds from disposals of property, plant and equipment	268	2,213
Proceeds from disposals of intangible assets	22,794	43,200
Interest received	137	142
Repayments from related companies	—	256
Net cash flows generated from investing activities	<u>12,253</u>	<u>26,184</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from new borrowings	44,330	222,628
Repayment of bank loans & other loans	(80,272)	(82,848)
Proceeds from issue of new shares	—	62,050
Repayment to directors	—	(544)
Interest paid	(475)	(119)
Net cash flows (used in)/generated from financing activities	<u>(36,417)</u>	<u>201,167</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of year	143,007	49,996
Effect on exchange rate changes, net	(3,235)	7,549
Cash and cash equivalents at end of year	<u><u>58,815</u></u>	<u><u>143,007</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u><u>58,815</u></u>	<u><u>143,007</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The address of its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business is located at Room 1200, 12/F, Wing On Centre, 111 Connaught Road Central, Sheung Wan, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and have been suspended for trading since 4 December 2014.

The Company is principally engaged in investment holding and its subsidiaries are mainly engaged in the professional football club operation in the United Kingdom (the "**UK**").

The functional currency of the Group's entities in Hong Kong is Hong Kong dollars ("**HK\$**") and for those subsidiaries established in the UK is Great Britain Pound ("**GBP**"). The consolidated financial statements are presented in HK\$ for the convenience of the shareholders and users of the consolidated financial statements as the Company is listed in Hong Kong.

2. BASIS OF PREPARATION**(a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Companies Ordinance (Cap. 622 of the laws of Hong Kong) and applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The Group's annual financial statements for the year ended 30 June 2014 were audited by JH CPA Alliance Limited (the "**Predecessor Auditor**"). On 20 January 2015, the Company received a letter from the Predecessor Auditor stating that they were withdrawing their auditor's report to the shareholders dated 30 September 2014 in respect of the consolidated financial statements of the Group for the year ended 30 June 2014.

(b) Going concern basis

The Group incurred a loss attributable to the owners of the Company of approximately HK\$4,161,000 for the year ended 30 June 2015 and had a net current liabilities of approximately HK\$145,639,000 as at 30 June 2015. These conditions indicate that the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, the Receivers of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months given that the Company has on 26 June 2015 entered into a loan facility agreement with Trillion Trophy Asia Limited (the “Investor”), the ultimate beneficial owner(s) of which are third party(ies) independent of and not connected with the Company and the connected person(s) of the Company. As detailed in announcement of the Company dated 30 June 2015, the Investor agreed to grant a secured loan facility of up to a maximum amount of HK\$153,000,000 to the Company for funding the Company’s operation and the operation of BCP and BCFC pursuant to the loan facility agreement for a term of 18 months from the date of the agreement. The Receivers are of the opinion that the liquidity and the financial resources of the Group are significantly enhanced since the loan facility has become available.

Reference is also made to the announcements of the Company dated 8 April 2015, 8 May 2015, 8 June 2015, 25 June 2015, 30 June 2015, 30 July 2015, 31 August 2015 and 30 September 2015 in relation to the possible restructuring and continuous suspension of trading. On 19 June 2015, the Receivers executed with the Investor an exclusivity agreement. As at the date of the issue of the consolidated financial statements, the Receivers are negotiating with the Investor as a potential offeror of the Company on its possible subscription and/or purchase of shares in the Company and/or BCP, a 96.64% owned subsidiary of the Company which owns the entire share capital of BCFC which in turn operates the professional football club in the UK.

Taking into the consideration of the funding needs of the Group, the obligation to meet requirements of the English Football League and in order to maintain the operation of BCFC, the Receivers are considering to raise additional funds by entering into further agreements with the Investor and/or by other means of fund raising exercises. The Company will issue further announcements setting out the progress of the possible restructuring as and when appropriate and necessary.

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

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 July 2014. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current year and prior years.

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

4. PRIOR YEAR ADJUSTMENTS

(a) Accruals

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

Based on the legal advice, the statute of limitation period would be two years in the People’s Republic of China (“**PRC**”). As such, management considers that the unpaid and accrued Donation for years from 2010 to 2012 of approximately HK\$37,698,000 was already beyond the retroactive period and therefore reversed such accruals in the respective years when they were expired. Accordingly, prior year adjustments have been made to reverse the accrued Donation of HK\$18,045,000 and HK\$6,584,000 in the year ended 30 June 2013 and 30 June 2014 respectively, and accrued Donation of HK\$13,069,000 has been reversed in the year ended 30 June 2015.

(b) Convertible notes

The U-Continent convertible notes

On 5 February 2014, the Company issued a zero coupon convertible note (the “**First CN**”) of principal amount of HK\$50,000,000 to U-Continent Holdings Limited (“**U-Continent**”). On 21 February 2014, HK\$10,000,000 of the First CN was converted into 333,333,333 ordinary shares of the Company.

In 2014, the Company issued a zero coupon convertible note (the “**Second CN**”) in two tranches of aggregate principal amount of HK\$125,000,000 to U-Continent. The first tranche of principal amount of HK\$105,000,000 was issued on 5 February 2014 and the second tranche of principal amount of HK\$20,000,000 was issued on 14 April 2014. On 9 October 2014, HK\$45,000,000 of the Second CN was converted into 1,500,000,000 ordinary shares of the Company.

According to the announcement of the Company dated 21 July 2015, the Company had instituted legal proceedings against U-Continent in connection with alleged misrepresentations made by U-Continent in the First CN and the Second CN agreements entered into between the Company and U-Continent (collectively, the “**Agreements**”) under which U-Continent subscribed for convertible notes of a total principal amount of HK\$175,000,000 issued by the Company. By a letter to U-Continent dated 20 July 2015, the Company rescinded the Agreements and on 21 July 2015 issued a writ of summons against U-Continent from the High Court of Hong Kong (the “**High Court**”) claiming for loss and damages suffered by the Company as a result of the misrepresentations.

As a result of the rescission, the Company has made a retrospective restatement to re-classify the remaining balance of the First CN of HK\$40,000,000 and the Second CN of HK\$125,000,000, totaling HK\$165,000,000 as at 30 June 2014, as an amount due to U-Continent, which is included in borrowings.

During the year ended 30 June 2015, HK\$45,000,000 of the Second CB was converted into 1,500,000,000 ordinary shares of the Company. The Company has re-classified the remaining balance of the First CB of HK\$40,000,000 and Second CB of HK\$80,000,000, totaling HK\$120,000,000 as at 30 June 2015, as an amount due to U-Continent, which is included in borrowings.

(c) **Misappropriation of funds**

As detailed in note 12(ii), the Company had made two announcements on 19 January 2015 and 22 January 2015 concerning that a former employee might have misappropriated a total sum of approximately HK\$38,000,000, belonging to the Group (the “**Suspected Misappropriation**”) covering at least two accounting years ended 30 June 2014 and 30 June 2015.

Upon the current management’s investigation, it was discovered that as at 30 June 2014, prepayments of HK\$2,500,000, convertible bonds issuance costs of approximately HK\$8,000,000 and other payments of HK\$400,000, totaling HK\$10,900,000 formed part of the Suspected Misappropriation. Accordingly, a prior year adjustment has been made to reclassify the aggregate sum of the above items of HK\$10,900,000 as provision for suspected mis-appropriated funds in the consolidated profit and loss for the year ended 30 June 2014.

The following tables disclose the restatements that have been made in order to reflect the above corrections to each of the line items in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2014 as previously reported and consolidated statement of financial position as at 30 June 2014 and 1 July 2013 as previously reported.

(d) Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2014

	2014 (As previously reported) <i>HK\$'000</i>	Effect of prior year's adjustments <i>HK\$'000</i>	2014 (As restated) <i>HK\$'000</i>
Revenue	253,227	—	253,227
Cost of revenue	<u>(362,107)</u>	<u>—</u>	<u>(362,107)</u>
Loss from operations before amortisation	(108,880)	—	(108,880)
Other income	8,585	6,584	15,169
Gain on settlement of borrowings	33,275	—	33,275
Profit on sales of players' registration	42,758	—	42,758
Amortisation of intangible assets	(4,786)	—	(4,786)
Administrative and other expenses	(87,918)	(10,900)	(98,818)
Finance costs	<u>(18,267)</u>	<u>—</u>	<u>(18,267)</u>
Loss before taxation	(135,233)	(4,316)	(139,549)
Income tax expense	<u>(21,032)</u>	<u>—</u>	<u>(21,032)</u>
Loss for the year	(156,265)	(4,316)	(160,581)
Other comprehensive expenses			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations	<u>(1,836)</u>	<u>—</u>	<u>(1,836)</u>
Total comprehensive expenses for the year	<u>(158,101)</u>	<u>(4,316)</u>	<u>(162,417)</u>
Loss for the year attributable to:			
Owners of the Company	(153,114)	(4,316)	(157,430)
Non-controlling interests	<u>(3,151)</u>	<u>—</u>	<u>(3,151)</u>
	<u>(156,265)</u>	<u>(4,316)</u>	<u>(160,581)</u>
Total comprehensive expenses attributable to:			
Owners of the Company	(154,890)	(4,316)	(159,206)
Non-controlling interests	<u>(3,211)</u>	<u>—</u>	<u>(3,211)</u>
	<u>(158,101)</u>	<u>(4,316)</u>	<u>(162,417)</u>
Loss per share			
— Basic and diluted (HK cent(s))	<u>(3.40)</u>	<u>(0.09)</u>	<u>(3.49)</u>

(e) Consolidated statement of financial position as at 30 June 2014

	30 June 2014 (As previously reported) <i>HK\$'000</i>	Effect of prior year's adjustments <i>HK\$'000</i>	30 June 2014 (As restated) <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	281,425	—	281,425
Intangible assets	43,627	—	43,627
Deposits, prepayments and other receivables	1,334	—	1,334
	<u>326,386</u>	<u>—</u>	<u>326,386</u>
Current assets			
Inventories	1,667	—	1,667
Trade receivables	19,153	—	19,153
Deposits, prepayments and other receivables	37,685	(2,500)	35,185
Amounts due from related companies	993	—	993
Cash held at non-bank financial institutions	1	—	1
Bank balances and cash	143,007	—	143,007
	<u>202,506</u>	<u>(2,500)</u>	<u>200,006</u>
Current liabilities			
Transfer fee payables	3,802	—	3,802
Trade payables	26,284	—	26,284
Accruals and other payables	78,190	(24,629)	53,561
Deferred capital grants	752	—	752
Amount due to former directors	10,780	—	10,780
Deferred income	22,500	—	22,500
Borrowings	133,296	165,000	298,296
Income tax payable	23,757	—	23,757
	<u>299,361</u>	<u>140,371</u>	<u>439,732</u>
Net current liabilities	<u>(96,855)</u>	<u>(142,871)</u>	<u>(239,726)</u>
Total assets less current liabilities	<u>229,531</u>	<u>(142,871)</u>	<u>86,660</u>
Non-current liabilities			
Transfer fee payables	704	—	704
Accrual and other payables	521	—	521
Deferred capital grants	22,298	—	22,298
Borrowings	834	—	834
Deferred tax liabilities	39,994	—	39,994
	<u>64,351</u>	<u>—</u>	<u>64,351</u>
NET ASSETS	<u>165,180</u>	<u>(142,871)</u>	<u>22,309</u>
Capital and reserves			
Share capital	54,811	—	54,811
Reserves	106,637	(142,871)	(36,234)
Equity attributable to owners of the Company	161,448	(142,871)	18,577
Non-controlling interests	3,732	—	3,732
TOTAL EQUITY	<u>165,180</u>	<u>(142,871)</u>	<u>22,309</u>

(f) Consolidated statement of financial position as at 1 July 2013

	1 July 2013 (As previously reported) <i>HK\$'000</i>	Effect of prior year's adjustments <i>HK\$'000</i>	1 July 2013 (As restated) <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	264,119	—	264,119
Intangible assets	37,896	—	37,896
Deposits, prepayments and other receivables	83	—	83
	<u>302,098</u>	<u>—</u>	<u>302,098</u>
Current assets			
Inventories	2,225	—	2,225
Trade receivables	93,687	—	93,687
Deposits, prepayments and other receivables	15,705	—	15,705
Amounts due from related companies	1,249	—	1,249
Cash held at non-bank financial institutions	1	—	1
Bank balances and cash	49,996	—	49,996
	<u>162,863</u>	<u>—</u>	<u>162,863</u>
Current liabilities			
Transfer fee payables	8,428	—	8,428
Trade payables	28,705	—	28,705
Accruals and other payables	75,324	(18,445)	56,879
Deferred capital grants	672	—	672
Amount due to former directors	5,198	—	5,198
Deferred income	23,770	—	23,770
Borrowings	178,442	—	178,442
Amount due to directors	544	—	544
Income tax payable	418	—	418
	<u>321,501</u>	<u>(18,445)</u>	<u>303,056</u>
Net current liabilities	<u>(158,638)</u>	<u>18,445</u>	<u>(140,193)</u>
Total assets less current liabilities	<u>143,460</u>	<u>18,445</u>	<u>161,905</u>

	1 July 2013 (As previously reported) <i>HK\$'000</i>	Effect of prior year's adjustments <i>HK\$'000</i>	1 July 2013 (As restated) <i>HK\$'000</i>
Non-current liabilities			
Deferred capital grants	20,600	—	20,600
Borrowings	2,025	—	2,025
Amount due to directors	182,808	—	182,808
Deferred tax liabilities	37,296	—	37,296
	<u>242,729</u>	<u>—</u>	<u>242,729</u>
NET LIABILITIES	<u>(99,269)</u>	<u>18,445</u>	<u>(80,824)</u>
Capital and reserves			
Share capital	38,878	—	38,878
Reserves	<u>(138,407)</u>	<u>18,445</u>	<u>(119,962)</u>
Capital deficiency attributable to owners of the Company	(99,529)	18,445	(81,084)
Non-controlling interests	<u>260</u>	<u>—</u>	<u>260</u>
CAPITAL DEFICIENCY	<u>(99,269)</u>	<u>18,445</u>	<u>(80,824)</u>

5. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention. They are presented in HK\$ and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 6 to the financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Hong Kong dollars, which is the Group's presentation currency. The functional currency of the Group's entities in Hong Kong is HK\$ and for those subsidiaries established in the UK is Great Britain Pound ("**GBP**"). The directors consider that choosing HK\$ as the presentation currency best suits the needs of the shareholders and investors.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Freehold land and buildings	2% — 10%
Leasehold improvements	20%
Furniture, fixtures and office equipment	20% — 33%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Leases

The Group as lessee

Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payment (net of any incentives received from the lessor) are recognised as expense on a straight-line basis over the term.

Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which 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.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Convertible loans

Convertible loans which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The fair value of any derivative features embedded in the compound instruments is included in the liability component. The difference between the proceeds of issue of the convertible loans and the fair values assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as capital reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative components are measured at fair value with gains and losses recognised in profit or loss.

Transaction costs are apportioned between the liability and equity components of the convertible loans based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

Convertible bonds that are not redeemable and the bond holders are required to convert the bonds into share capital before its maturity date are classified as equity.

Acquired players' registration

Costs of acquisition of players' registrations are initially recognised at cost at the date of acquisition and amortised over the period of the respective player's contract, being between one to five years. A provision is made in accruals, where in management's opinion, the club 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 testing, acquired players' registration are classified as a single cash generating unit until the point at which:

- it is made clear that the player no longer remains as an active member of the playing squad. In these circumstances the carrying value of the players' registration is reviewed against a measureable net realisable value; or
- the carrying amount of a registration will be recovered through sale. The measurement of such registration is at the lower of (i) fair value (less costs of disposal) and (ii) carrying value. Amortisation of such registration is suspended at the time of reclassification, although impairment charges still need to be made if applicable.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Deferred income

Deferred income relates to amounts received from sponsorships and sale of season tickets and is released to profit or loss on a straight-line basis over the period to which it relates.

Capital grants

Grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Grants and donations received in respect of safety work and stadium developments are initially recognised as deferred capital grants in the consolidated statement of financial position and transferred to profit or loss over the expected useful life of the assets to which they relate. Football Trust grants received are released to profit or loss when the related expenditures are incurred.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Season tickets and corporate hospitality revenue are recognised over the period of the football season as home matches are played.

Gate receipts and other matchday revenue are recognised as the games are played. Prize money in respect of cup competitions is recognised when received. Sponsorship and similar commercial income is recognised over the duration of the respective contracts. The fixed element of broadcasting revenues is recognised over the duration of the football season whilst facility fees received for live coverage or highlights are taken when earned. Merit awards are recognised only when known at the end of the football season.

Interest income is recognised on a time-proportion basis using the effective interest method.

Services income is recognised when services are rendered.

Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense 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 end of the reporting period.

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. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits 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.

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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, 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.

Related parties

A related party is a person or entity that is related to the Group.

- (A) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (B) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (A).
 - (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, except inventories and receivables 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 any impairment loss. 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.

Recoverable amount is the higher of fair value less costs of disposal 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.

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 (net of amortisation or depreciation) 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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

6. CRITICAL JUDGMENT AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the Investor at a level sufficient to finance the working capital requirements of the Group. Details of which are explained in note 2(b).

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Depreciation of property, plant and equipment

The Group determines the estimated useful lives and residual values for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to previous estimates, or will write off or write down technically obsolete or strategic assets that have been abandoned or sold.

(b) Impairment of property, plant and equipment

This requires an estimation of the recoverable amount which was determined by either based on fair value less cost of disposal method or market approach. The fair value of the assets were determined by management based on recent market transactions. The market approach involves a direct comparison of the assets being appraised to similar assets that have sold in the same or in a similar market.

(c) Impairment of trade and other receivables

The Directors periodically review its receivables to assess whether impairment exists. In determining whether impairment should be provided, the Directors evaluated individually each account for impairment after taking into account the value of each client account's underlying collateral and the latest financial position of those clients in default of settlement.

(d) Player transfer costs

Management has to make certain judgments as to whether a liability should be recognised under the terms of the contracts with other football clubs in respect of player transfers. This includes whether in the management's opinion, at the end of the reporting period, the football club is likely to retain Football League Championship status in the next season. It also requires certain judgments as to whether a player will continue to make the contractually agreed number of first team appearances. Based on these judgments, management will decide on a player by player basis as to whether the liability should be disclosed as a contingent liability in note 37(i) or whether it becomes a liability and is recognised in trade payables in the consolidated statement of financial position.

(e) Intangible assets — acquire players' registration

At the end of each reporting period, the management considers the recoverability of the acquired players' registration based on current estimated fair values. Management considers the economic life of the players' registration to be between one to five years, based on the respective players' contracts. These are reviewed annually on a player by player basis to determine whether there are indicators of impairment. Determining whether the players' registration should be impaired at the end of the reporting period is based on management's judgment of whether the player will no longer remain an active member of the playing squad and an assessment of the football club's likeliness to retain Football League Championship status in the next season.

(f) *Intangible assets — trademark*

In accordance with HKAS 36 “Impairment of Assets”, the Group completed its annual impairment test for trademark by comparing their recoverable amount to its carrying amount as at 30 June 2015. The Group has conducted a valuation of the trademark based on its fair value less cost of disposal. The resulting value of the trademark as at 30 June 2015 was approximately equal to their carrying amount. This valuation uses the relief from loyalty method to determine the present worth of future after-tax royalties derived from ownership. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the aggregate carrying amount of trademark to exceed the aggregate recoverable amount.

7. **FINANCIAL RISK MANAGEMENT**

The Group’s principal financial instruments comprise interest-bearing loans, and cash and cash equivalents. The main purpose of these financial instruments is to raise funding for the Group’s operations. The Group has various other financial assets and liabilities, such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group’s consolidated financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The Directors review and agree on policies for managing each of these risks and they are summarised below:

Foreign currency risk

Foreign currency risk means the risk of fluctuations in the fair value or future cash flows of financial instruments which arise from changes in exchange rates. The Group’s business are mainly located in the UK and are mainly transacted and settled in GBP, as such, the Group has minimal exposure to foreign currency risk.

Interest rate risk

The Group did not have any long-term loans with a floating interest rate during the years ended 30 June 2015 and 2014, as such, the Group was not exposed to the risk of changes in market interest rates.

Credit risk

The carrying amount of the bank balances and cash, trade and other receivables, included in the consolidated statement of financial position represents the Group’s maximum exposure to credit risk in relation to the Group’s financial assets.

The Group has no significant concentrations of credit risk.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

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 maturity analysis of the Group's financial liabilities is as follows:

At 30 June 2015

	Within 1 year or on demand HK\$'000	In the second year HK\$'000	In the third to fifth years, inclusive HK\$'000	Total HK\$'000
Transfer fee payables	1,097	174	122	1,393
Trade payables	14,910	—	—	14,910
Accruals and other payables	47,634	—	—	47,634
Amounts due to former directors	10,769	—	—	10,769
Borrowings	139,974	43,844	25	183,843
Interest portion of borrowings	3,500	1,767	3	5,270
	<u>217,884</u>	<u>45,785</u>	<u>150</u>	<u>263,819</u>

At 30 June 2014 (Restated)

	Within 1 year or on demand HK\$'000	In the second year HK\$'000	In the third to fifth years, inclusive HK\$'000	Total HK\$'000
Transfer fee payables	3,802	704	—	4,506
Trade payables	26,284	—	—	26,284
Accruals and other payables	53,561	521	—	54,082
Amounts due to former directors	10,780	—	—	10,780
Borrowings	298,296	589	245	299,130
Interest portion of borrowings	5,962	31	13	6,006
	<u>398,685</u>	<u>1,845</u>	<u>258</u>	<u>400,788</u>

Categories of financial instruments

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Financial assets:		
Loans and receivables:		
Trade receivables	12,274	19,153
Financial assets included in deposits, prepayments and other receivables	8,652	2,493
Cash held at non-bank financial institutions	1	1
Bank balances and cash	58,815	143,007
	<u>79,742</u>	<u>164,654</u>
Financial liabilities:		
Financial liabilities at amortised cost:		
Transfer fee payables	1,393	4,506
Trade payables	14,910	26,284
Accruals and other payables	47,634	54,082
Amounts due to former directors	10,769	10,780
Borrowings	183,843	299,130
	<u>258,549</u>	<u>394,782</u>

Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

8. REVENUE AND SEGMENT INFORMATION

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

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

Entity-wide disclosures

Information about the nature of revenue

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Television broadcasting	149,490	151,067
Commercial income	56,188	56,886
Match receipts	47,906	45,274
	<u>253,584</u>	<u>253,227</u>

Geographical information

Information about the Group's revenue from external customers and non-current assets is presented based on the location of operations and geographical location of assets respectively.

	Revenue from external customers for the year ended 30 June		Non-current assets At 30 June	
	2015 HK\$ '000	2014 HK\$ '000	2015 HK\$ '000	2014 HK\$ '000
Hong Kong	—	—	3,272	4,728
UK (place of domicile)	253,584	253,227	286,019	321,658
	<u>253,584</u>	<u>253,227</u>	<u>289,291</u>	<u>326,386</u>

Information about major customers

No revenue was received from customers contributing more than 10% of the total revenue of Group for the two years ended 30 June 2015 and 2014.

9. OTHER INCOME

	Note	2015 HK\$ '000	2014 HK\$ '000 (Restated)
Gain on disposal of property, plant and equipment		63	230
Interest income		137	142
Gain on deregistration of subsidiaries		—	419
Compensation from player injury insurance		11,024	—
Reverse of excess provision for Donation	(i)	13,069	6,584
Net gain on proposed settlement with a vendor	(ii)	6,500	—
Subsidies received from the Premier League	(iii)	6,024	6,178
Sundry income		906	1,616
		<u>37,723</u>	<u>15,169</u>

(i) As explained in note 4(a) of this consolidated financial statements, prior year adjustments have been made to reverse accrued Donation of HK\$18,045,000 and HK\$6,584,000 for the year ended 30 June 2013 and 30 June 2014 respectively, and accrued Donation of HK\$13,069,000 has been reversed during the year ended 30 June 2015.

(ii) As at 30 June 2014, the Group recorded trade payable of HK\$10,000,000 and trade receivable of HK\$8,500,000 due to/from a vendor which is a third party not related to the Group (the "Vendor"). Subsequent to the year-end date of 2015, the Group had accepted an offer of HK\$5,000,000 from the Vendor in full and final settlement of the above sums, together with other fees and charges, resulting in a net gain of HK\$6,500,000 from this proposed settlement with the Vendor. Entering into the proposed settlement is subject to court approval.

(iii) During the year ended 30 June 2015, the Group's professional football operation received funding of approximately HK\$6,024,000 (2014: HK\$6,178,000) from the Premier League under the Elite Player Performance Plan upon fulfillment of certain term and conditions.

10. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest expenses on:		
— Bank loan and overdraft repayable within five years	23	61
— Other borrowings repayable within five years	421	18,148
— Finance leases	31	58
	<u>475</u>	<u>18,267</u>

11. INCOME TAX (CREDIT)/EXPENSE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Corporation taxation — UK		
Current year	54	22,693
Deferred taxation — UK		
Current year	(350)	—
Attributable to a change in tax rate	<u>(3,175)</u>	<u>(1,661)</u>
	<u>(3,471)</u>	<u>21,032</u>

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising from Hong Kong for the two years ended 30 June 2015 and 2014.

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

The Group's subsidiaries in the UK are subject to Corporation Tax in the UK ("Corporation Tax"). Corporation tax is calculated at 21% of the estimated assessable profit for the year ended 30 June 2015 (2014: 23%).

The income tax (credit)/expense for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss before taxation	<u>(7,879)</u>	<u>(139,549)</u>
Taxation calculated at respective domestic statutory tax rate	(680)	(27,129)
Effect of a change in tax rate	(3,175)	(1,661)
Tax effect of income not taxable and expenses not deductible	3,697	5,135
Capital contribution	—	44,687
Tax effect of temporary differences not recognised	1,105	—
Tax effect of utilisation of tax losses not previously recognised	<u>(4,418)</u>	<u>—</u>
Income tax (credit)/expense	<u>(3,471)</u>	<u>21,032</u>

Details of the deferred taxation are set out in note 33.

12. LOSS FOR THE YEAR

Loss for the year is arrived at after charging the following items:

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Staff costs (including directors' remuneration):			
Salaries and wages		170,495	248,164
Retirement benefits scheme contributions		<u>16,195</u>	<u>25,864</u>
		<u>186,690</u>	<u>274,028</u>
Auditors' remuneration			
— Current year		1,020	2,191
Minimum lease payments under operating leases in respect of:			
— properties		3,427	3,915
— others		3,088	3,566
Cost of inventories recognised as expense		6,787	7,053
Cost on operating expenses	<i>(i)</i>	266,369	355,054
Depreciation of property, plant and equipment		16,482	11,408
Amortisation of intangible assets		4,859	4,786
Impairment of trade receivables		1,438	28
Impairment of amount due from related companies		993	—
Impairment of amount due from a former director		1,500	—
Impairment of property, plant and equipment		1,166	—
Foreign exchange loss (net)		3	—
Provision for loss of suspected mis-appropriated funds	<i>(ii)</i>	<u>9,643</u>	<u>27,900</u>

(i) Cost on operating expenses included HK\$186,630,000 (2014 (restated): HK\$267,606,000) relating to staff costs, depreciation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above for each of these types of expense.

(ii) On 19 January 2015, the Company announced that the then Board of Directors of the Company discovered that a former employee of the Company might have misappropriated a sum of at least HK\$30 million (the “**First Suspected Misappropriation**”). On 22 January 2015, another announcement was made concerning a further sum of approximately HK\$8 million being misappropriated by the same former employee (the “**Second Suspected Misappropriation**”). The aggregate amount associated with the suspected misappropriation was approximately HK\$38 million.

Upon the current management's investigation, including reviewing copies of bank statements and cheques, at least HK\$37.5 million was suspected to be misappropriated, out of which HK\$35.25 million was suspected to be misappropriated by the former employee as mentioned earlier. The Company has reported the First Suspected Misappropriation and Second Suspected Misappropriation to the Hong Kong Police Force (the "Police") for investigation. The Police arrested the former employee on 17 January 2015, but no charges have been laid against the former employee so far. He has been subsequently released on bail. As far as the current Board of Directors of the Company is aware, up to the date of the release of this Report, the suspected misappropriation is still under investigation by the Police.

In accordance with the period for the suspected misappropriation of funds, HK\$27,900,000 was provided for the previous financial years up to 30 June 2014 and HK\$9,643,000 was provided for the year ended 30 June 2015.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of the directors during the year were as follows:

For the year ended 30 June 2015

	<i>Notes</i>	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive Directors					
Mr. Liu Yiu Keung Stephen (<i>Chairman</i>) (appointed on 9 March 2015)		—	—	—	—
Mr. Yen Ching Wai David (<i>Chief Executive Officer</i>) (appointed on 9 March 2015)		—	—	—	—
Ms. Koo Chi Sum (appointed on 9 March 2015)		—	—	—	—
Mr. Cheung Shing (resigned on 9 March 2015)		—	1,800	12	1,812
Mr. Ma Shui Cheong (resigned on 9 March 2015)		—	1,800	12	1,812
Mr. Chen Liang (resigned on 9 March 2015)		—	1,350	12	1,362
Mr. Panagiotis Pavlakis (retired on 6 January 2015, appointed on 7 January 2015 and resigned on 9 March 2015)		—	630	12	642
Mr. Peter Pannu ("Mr. Pannu") (removed on 9 March 2015)	<i>(a)</i>	—	3,450	12	3,462
Mr. Chan Shun Wah (removed on 9 March 2015)		—	495	12	507
Mr. Cheung Kwai Nang (suspended on 9 March 2015 and subsequently resigned on 11 March 2015)		—	405	12	417
		—	9,930	84	10,014

	Notes	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Independent non-executive directors					
Mr. Cheung Yuk Ming (appointed on 9 March 2015)		187	—	—	187
Mr. Law Pui Cheung (appointed on 9 March 2015)		187	—	—	187
Mr. Lai Hin Wing Henry Stephen (appointed on 9 March 2015)		187	—	—	187
Mr. Wong Ka Chun, Carson (suspended on 9 March 2015)		135	—	—	135
Mr. Gao Shi Kui (resigned on 9 March 2015)		120	—	—	120
Mr. Liu Enxue (retired on 6 January 2015, appointed on 7 January 2015 and resigned on 9 March 2015)		120	—	—	120
Mr. Li Hanguo (retired on 6 January 2015, appointed on 7 January 2015 and resigned on 9 March 2015)		120	—	—	120
		<u>1,056</u>	<u>—</u>	<u>—</u>	<u>1,056</u>
		<u>1,056</u>	<u>9,930</u>	<u>84</u>	<u>11,070</u>

- (a) The emoluments of Mr. Pannu disclosed above include those for services rendered by him as the former chief executive officer and managing director of the Company.

For the year ended 30 June 2014 (Restated)

	Notes	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Executive Directors					
Mr. Cheung Shing (<i>Chairman</i>) (redesignated on 4 February 2014)		—	2,466	18	2,484
Mr. Ma Shui Cheong (<i>Vice Chairman</i>) (redesignated on 4 February 2014)		—	1,660	15	1,675
Mr. Pannu (<i>Chief Executive Officer and Managing Director</i>)	(a)	—	6,481	15	6,496
Mr. Chan Shun Wah		—	625	15	640
Mr. Cheung Kwai Nang		—	570	15	585
Mr. Chen Liang		—	1,466	18	1,484
Mr. Panagiotis Pavlakis (appointed on 17 December 2013)		—	508	10	518
Mr. Yeung Ka Sing, Carson ("Mr. Yeung") (resigned on 4 February 2014)	(b)	—	357	—	357
Mr. Charlie Penn (resigned on 5 February 2014)		—	61	3	64
		<u>—</u>	<u>14,194</u>	<u>109</u>	<u>14,303</u>

<i>Notes</i>	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Independent non-executive directors				
Mr. Wong Ka Chun, Carson	132	—	—	132
Mr. Gao Shi Kui	171	—	—	171
Mr. Liu Enxue (appointed on 17 December 2013)	75	—	—	75
Mr. Li Hanguo (appointed on 17 December 2013)	75	—	—	75
	<u>453</u>	<u>—</u>	<u>—</u>	<u>453</u>
	<u>453</u>	<u>14,194</u>	<u>109</u>	<u>14,756</u>

- (b) Mr. Yeung is the former executive director of the Company. The emoluments disclosed during the year ended 30 June 2014 was approximately HK\$857,000 of which HK\$500,000 has revealed as suspected misappropriation by a former employee after the investigation of the management. The emoluments of Mr. Yeung during the year ended 30 June 2014 is restated to approximately HK\$357,000 and recognised as an accrued expense of the Company.

14. FIVE HIGHEST PAID INDIVIDUALS EMOLUMENTS

The five highest paid individuals in the Group do not include any Directors during the year and last year. The emoluments of the highest paid individual are set out as below:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Basic salaries and allowances	21,711	79,394
Share-based payments	—	—
Retirement benefit scheme contributions	2,930	10,898
	<u>24,641</u>	<u>90,292</u>

The emoluments of the 5 highest paid individuals (2014: 5 (restated)) fall within the following band:

	Number of individuals	
	2015	2014
HK\$3,500,001 — HK\$4,000,000	1	—
HK\$4,000,001 — HK\$4,500,000	2	—
HK\$5,000,001 — HK\$5,500,000	1	—
HK\$6,500,001 — HK\$7,000,000	1	—
HK\$7,000,001 — HK\$7,500,000	—	1
HK\$9,000,001 — HK\$9,500,000	—	2
HK\$12,000,001 — HK\$12,500,000	—	1
HK\$52,000,001 — HK\$52,500,000	—	1

During the years ended 30 June 2015 and 2014, no emoluments were paid or payable to the directors or the five highest paid individuals as an inducement to join the Group or as a compensation for loss of office.

15. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss for the year attributable to owners of the Company includes a loss of approximately HK\$4,161,000 (2014 (restated): HK\$157,430,000) which has been dealt with in the financial statements of the Company.

16. DIVIDEND

No dividend was paid or proposed for the two years ended 30 June 2015 and 2014, nor has any dividend been proposed since the end of the reporting date.

17. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK\$4,161,000 (2014 (restated): HK\$157,430,000) and the weighted average number of 8,264,100,432 (2014: 4,506,109,565) ordinary shares in issue during the year.

The computation of diluted loss per share for the year ended 30 June 2015 and 2014 are the same as the basic loss per share as the impact of the convertible bonds outstanding had an anti-dilutive effect.

18. PROPERTY, PLANT AND EQUIPMENT

The Group

	Freehold land and buildings <i>HK\$ '000</i>	Leasehold improvements <i>HK\$ '000</i>	Furniture, fixtures and office equipment <i>HK\$ '000</i>	Motor vehicles <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
COST					
As at 1 July 2013	286,294	657	77,634	3,991	368,576
Addition	6,859	—	936	5,432	13,227
Disposal	—	—	(1,921)	(623)	(2,544)
Exchange realignment	24,051	—	3,869	247	28,167
As at 30 June 2014	317,204	657	80,518	9,047	407,426
Addition	531	—	1,398	2,580	4,509
Disposal	—	(657)	(331)	(866)	(1,854)
Exchange realignment	(24,126)	—	(6,006)	(316)	(30,448)
As at 30 June 2015	293,609	—	75,579	10,445	379,633
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
As at 1 July 2013	35,609	225	64,998	3,625	104,457
Provided for the year	4,370	133	6,048	857	11,408
Disposal	—	—	(17)	(544)	(561)
Exchange realignment	7,811	—	2,676	210	10,697
As at 30 June 2014	47,790	358	73,705	4,148	126,001
Provided for the year	10,276	110	4,640	1,456	16,482
Disposal	—	(468)	(315)	(866)	(1,649)
Impairment	—	—	—	1,166	1,166
Exchange realignment	(3,537)	—	(5,473)	(269)	(9,279)
As at 30 June 2015	54,529	—	72,557	5,635	132,721
CARRYING VALUE					
As at 30 June 2014	269,414	299	6,813	4,899	281,425
As at 30 June 2015	239,080	—	3,022	4,810	246,912

The freehold land and buildings were pledged to the Investor to obtain loan (note 32(ii)) (2014: pledged to a bank to obtain bank loan (note 32(i))).

19. INTANGIBLE ASSETS

	Players' Registration <i>HK\$'000</i>	Backlog contract <i>HK\$'000</i>	Trademark <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
As at 1 July 2013	118,315	140,903	543,381	802,599
Addition	6,400	—	—	6,400
Disposal	(126,083)	—	—	(126,083)
Exchange realignment	8,209	—	64,634	72,843
As at 30 June 2014	6,841	140,903	608,015	755,759
Addition	6,437	—	—	6,437
Disposal	(241)	—	—	(241)
Lapsed	—	(140,903)	—	(140,903)
Exchange realignment	(445)	—	(46,255)	(46,700)
As at 30 June 2015	<u>12,592</u>	<u>—</u>	<u>561,760</u>	<u>574,352</u>
ACCUMULATED AMORTISATION AND IMPAIRMENT				
As at 1 July 2013	116,524	140,903	507,276	764,703
Amortisation for the year	4,786	—	—	4,786
Disposal	(125,641)	—	—	(125,641)
Exchange realignment	7,945	—	60,339	68,284
As at 30 June 2014	3,614	140,903	567,615	712,132
Amortisation for the year	4,859	—	—	4,859
Disposal	(94)	—	—	(94)
Lapsed	—	(140,903)	—	(140,903)
Exchange realignment	(215)	—	(43,183)	(43,398)
As at 30 June 2015	<u>8,164</u>	<u>—</u>	<u>524,432</u>	<u>532,596</u>
CARRYING VALUE				
As at 30 June 2014	<u>3,227</u>	<u>—</u>	<u>40,400</u>	<u>43,627</u>
As at 30 June 2015	<u>4,428</u>	<u>—</u>	<u>37,328</u>	<u>41,756</u>

Notes:

(i) Amortisation is recognised in profit or loss as follows:

Backlog contract	1 year
Players' registration	based on respective players' contracts terms from 1-5 years
Trademark	Not amortised

- (ii) The players' registration is considered to have a useful life ranging from 1 to 5 years and is tested for impairment at the end of the reporting period.

Any players whom Birmingham City Football Club PLC ("BCFC"), a subsidiary of the Company, do not consider to be a long term part of the First Team squad and who will therefore not contribute to future cash flows earned by BCFC are assessed for impairment by considering the carrying value with BCFC's best estimate of fair value (being post year-end sales proceeds or expected sales proceeds) less costs of disposal. No impairment was made for the two years ended 30 June 2015 and 2014.

- (iii) Backlog contract represents the contract signed between BCFC and the Football Association Premier League Limited ("FA Premier") which BCFC will have the right to receive an annual income from FA Premier in relation to the income arrived from television broadcastings, sponsorships, merit amount determined by the final position at the end of the premier league season and the facility fees determined by the number of the matches being broadcasted by FA Premier. The backlog contract is signed on a yearly basis and will be renewed before the premier league season starts each year. Due to the relegation of BCFC, the backlog contract was not renewed.
- (iv) The trademark was acquired in the business combination of Birmingham City PLC, which is considered to have an indefinite useful life and was tested for impairment as at the end of the reporting period.

The Group carried out reviews of the recoverable amount of the trademark for the year ended 30 June 2015. The recoverable amount has been determined based on its fair value less costs of disposal, with reference to the valuation prepared by an independent professional valuer, Grant Sherman Appraisals Limited. The fair value less costs of disposal of the trademark falls within level 3 of the fair value hierarchy. The valuation technique used to measure the fair value less costs of disposal is the relief-from-royalty method, which determines the present worth of future after-tax royalties derived from ownership. Indication of value is developed by discounting future after-tax royalties attributable to the trademark to their present worth at market-derived rate of return appropriate for the risks of the trademark. The valuer adopted a royalty rate of 10% of net sales applicable to the trademark as at 30 June 2015. For determining the discount rate, the valuer adopted a small capitalisation risk premium of 5.78%, company specific risk premium of 10%, an intangible asset risk premium of 1.0%, resulting in aggregate pre-tax discount rate of 21.57%.

20. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries as at 30 June 2015 and 2014 are as follows:

Name of company	Country of incorporation and operation	Particulars of issued and paid up capital	Percentage of equity attributable to the Company		Principal activity
			2015	2014	
Directly hold					
Birmingham City PLC	UK	GBP8,150,000 ordinary shares	96.64%	96.64%	Investment holding
Indirectly hold					
Birmingham City Football Club PLC	UK	GBP752,838 ordinary shares	96.64%	96.64%	Football club

Note: 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 the other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The following table shows information of a subsidiary that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Birmingham City PLC	
	2015	2014
Principal place of business and country of registration	UK	UK
% of ownership interests and voting rights held by NCI	3.36%	3.36%
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
At 30 June:		
Non-current assets	286,019	277,674
Current assets	104,146	104,086
Current liabilities	(249,042)	(241,624)
Non-current liabilities	(54,142)	(29,060)
Net assets	<u>86,981</u>	<u>111,076</u>
Accumulated NCI	<u>2,923</u>	<u>3,732</u>
Year ended 30 June:		
Revenue	253,584	253,227
Loss for the year	(7,365)	(93,779)
Total comprehensive loss	(24,069)	(95,564)
Loss allocated to NCI	(247)	(3,151)
Net cash flows generated from/(used in) operating activities	2,317	(97,033)
Net cash flows generated from investing activities	11,475	111,089
Net cash flows used in financing activities	(14,438)	(4,883)
Net (decrease)/increase in cash and cash equivalents	<u>(646)</u>	<u>9,173</u>

21. INVENTORIES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Finished goods and goods for sale	<u>1,603</u>	<u>1,667</u>

22. TRADE RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	13,862	19,301
Less: impairment loss recognised	<u>(1,588)</u>	<u>(148)</u>
	<u>12,274</u>	<u>19,153</u>

- (i) The average credit period of the Group's trade receivables is 90 days (2014: 90 days) and represents solely from the professional football operation.

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

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 30 days	3,658	7,292
31 to 90 days	949	975
91 to 180 days	1,292	1,113
181 to 365 days	1,375	1,273
Over 365 days	<u>5,000</u>	<u>8,500</u>
	<u>12,274</u>	<u>19,153</u>

- (iii) At 30 June 2015 and 2014, the analysis of trade receivables that were neither past due nor impaired is as follows:

	Total <i>HK\$'000</i>	Neither past due nor impaired <i>HK\$'000</i>	Past due but not impaired	
			Less than 90 days <i>HK\$'000</i>	91 days and over <i>HK\$'000</i>
At 30 June 2015	<u>12,274</u>	<u>4,607</u>	<u>1,292</u>	<u>6,375</u>
At 30 June 2014	<u>19,153</u>	<u>8,267</u>	<u>1,113</u>	<u>9,773</u>

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Other receivables	9,057	1,975
<i>Less: impairment loss recognised</i>	<u>(1,500)</u>	<u>(475)</u>
	7,557	1,500
Deposits and prepayments	35,167	35,019
<i>Less: prepayments — non-current</i>	<u>(623)</u>	<u>(1,334)</u>
Amounts shown as current assets	<u><u>42,101</u></u>	<u><u>35,185</u></u>

Notes:

- (i) The movements in the impairment loss on other receivables during the year are as follows

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At the beginning of the year	475	7,112
Recognised during the year	1,500	—
Written off during the year	<u>(475)</u>	<u>(6,637)</u>
At the end of the year	<u><u>1,500</u></u>	<u><u>475</u></u>

During the year ended 30 June 2015, an impairment loss of HK\$1,500,000 (2014: Nil) on other receivables was recognised. The Group has individually assessed all other receivables and provided impairment for the amounts that are considered not recoverable.

- (ii) Included in prepayments are amounts of approximately HK\$623,000 as at 30 June 2015 (2014: HK\$1,334,000) relating to sign-on fees for purchases of the players which are classified as non-current.

24. AMOUNTS DUE FROM RELATED COMPANIES

Details of amounts due from related companies disclosed pursuant to Section 383(1)(d) of the Hong Kong Companies Ordinance are as follows:

	Notes	Maximum amount outstanding during the year			
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Sing Pao Media Enterprises Limited (“Sing Pao Media”)	(i)	—	—	—	5,682
Sing Pao Newspaper Company Limited (“Sing Pao Newspaper”)	(ii)	320	320	320	320
Life Profit Asia Limited	(iii)	673	673	673	673
		<u>993</u>	<u>993</u>		
Less: impairment loss recognised	(iv)	<u>(993)</u>	<u>—</u>		
		<u>—</u>	<u>993</u>		

Notes:

- (i) Sing Pao Media was previously listed on the Stock Exchange. On 13 July 2015, pursuant to the Order of the High Court, two professionals were appointed as the joint and several provision liquidators of Sing Pao Media. Sing Pao Media was wound up by the High Court on 12 August 2015. Following the review and the decision of the GEM Listing (Review) Committee to cancel the listing states of Sing Pao Media, the listing states of Sing Pao Media was cancelled with effect on 18 August 2015.
- (ii) Sing Pao Newspaper was an indirect subsidiary of Sing Pao Media. The amount was unsecured, interest-free and repayable on demand.
- (iii) Ms. Wang Li Fei, had beneficial interests in Life Profit Asia Limited, is a domestic partner of Mr. Yeung, a substantial shareholder of the Company.
- (iv) Movements in impairment loss during the year are as follows:

	2015 HK\$'000	2014 HK\$'000 (Restated)
At the beginning of the year	—	5,682
Recognised for the year	993	—
Written off during the year	<u>—</u>	<u>(5,682)</u>
At the end of the year	<u>993</u>	<u>—</u>

Based on information available to the current Board after their appointment on 9 March 2015, the existing Directors are of the opinion that the amounts due from related companies are not recoverable, impairment loss of approximately HK\$993,000 was recognised during the year ended 30 June 2015 (2014: Nil).

25. BANK BALANCES AND CASH

Bank balance and cash are denominated in:

	2015	2014
	<i>HK\$</i>	<i>HK\$</i>
HK\$	3,315	82,237
GBP	55,500	60,770
	<u>58,815</u>	<u>143,007</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates.

26. TRANSFER FEE PAYABLES

	2015	2014
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Transfer fee payables		
— Within one year	1,097	3,802
— Due after one year	296	704
	<u>1,393</u>	<u>4,506</u>

All transfer fee payables are stated at amortised cost that approximately equal to their fair value.

27. TRADE PAYABLES

An aged analysis of the trade payables is as follows:

	2015	2014
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Within 30 days	12,358	14,537
31 to 90 days	2,038	1,650
91 days to 180 days	382	57
181 days to 365 days	132	40
Over 365 days	—	10,000
	<u>14,910</u>	<u>26,284</u>

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

28. ACCRUALS AND OTHER PAYABLES

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Accruals	<i>(i)</i>	47,634	53,561
Agent's fee payables	<i>(ii)</i>	<u>—</u>	<u>521</u>
		47,634	54,082
<i>Less: amount due after one year</i>		<u>—</u>	<u>(521)</u>
Amount shown as current liabilities		<u><u>47,634</u></u>	<u><u>53,561</u></u>

Notes:

- (i) Included in accruals are amounts totaling of HK\$5,353,000 (2014: HK\$5,353,000) relating to accrued directors' remuneration.
- (ii) As at 30 June 2014, agent's fee of HK\$521,000 is payable for the purchase of football players during the year ended 30 June 2014 and is due after one year according to the transfer agreement of players.
- (iii) Accruals and other payables are all non-interest bearing.

29. DEFERRED CAPITAL GRANTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
To be released:		
— within one year	695	752
— after one year	<u>19,907</u>	<u>22,298</u>
	<u><u>20,602</u></u>	<u><u>23,050</u></u>

Deferred capital grants relate to the redevelopment of the football stadium located in Birmingham, UK. The grant has been treated as a deferred grant and is being amortised in line with the depreciable assets to which it relates.

30. AMOUNTS DUE TO FORMER DIRECTORS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Amounts due to former directors:		
Mr. Hui Ho Luek, Vico	5,198	5,198
Mr. Yeung	<u>5,571</u>	<u>5,582</u>
	<u><u>10,769</u></u>	<u><u>10,780</u></u>

The amounts are unsecured, interest free and repayable on demand.

31. DEFERRED INCOME

The movements of deferred income for the years ended 30 June 2015 and 2014 were as follows:

	Matching receipt <i>HK\$'000</i>	Commercial income <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2013	21,670	2,100	23,770
Exchange realignment	2,471	171	2,642
Additions	25,086	23,557	48,643
Recognised as revenue	<u>(27,345)</u>	<u>(25,210)</u>	<u>(52,555)</u>
At 30 June 2014	21,882	618	22,500
Exchange realignment	(1,640)	(43)	(1,683)
Additions	22,020	843	22,863
Recognised as revenue	<u>(19,974)</u>	<u>(564)</u>	<u>(20,538)</u>
At 30 June 2015	<u><u>22,288</u></u>	<u><u>854</u></u>	<u><u>23,142</u></u>

32. BORROWINGS

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Secured bank loans	<i>(i)</i>	—	2,077
Other loans — secured	<i>(ii)</i>	43,314	—
Other loans — unsecured	<i>(iii) & (iv)</i>	19,895	132,053
Loan from U-Continent		120,000	165,000
Finance lease payable		<u>634</u>	<u>—</u>
		<u><u>183,843</u></u>	<u><u>299,130</u></u>

At 30 June 2015 and 2014, total current and non-current bank loans and other borrowings were repayable as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Carrying amounts repayable:		
On demand or within one year	139,974	298,296
More than one year, but not exceeding five years	<u>43,869</u>	<u>834</u>
	183,843	299,130
Less: amounts due within one year shown in current liabilities	<u>(139,974)</u>	<u>(298,296)</u>
Amounts shown as non-current liabilities	<u><u>43,869</u></u>	<u><u>834</u></u>

Notes:

- (i) At 30 June 2014, the secured bank loans carried interest at floating rates LIBOR+1.5% per annum and are repayable within one year. The bank loans were secured against the Group's assets in the UK amounting to approximately HK\$269,414,000 and by unlimited multilateral guarantees given by certain subsidiaries of the Group. The secured bank loans have been settled during the year ended 30 June 2015.
- (ii) As at 30 June 2015, the secured other loan from the Investor carried interest at 8% per annum and repayable after 18 months. The loan is secured by (i) a first fixed legal charge over the property owned by the BCFC with a carrying value of approximately GBP19,600,000 (equivalent to approximately HK\$239,000,000); (ii) a first floating charge over all the assets, goodwill, undertaking and uncalled capital, both present and future granted or to be granted by the BCFC; and (iii) a first fixed charge over all books and other debts, both present and future granted or to be granted by the BCFC.
- (iii) At 30 June 2015, included in the unsecured other loans was approximately HK\$6,000,000 (2014: HK\$16,856,000) loaned from iMerchants Asia Limited ("**iMerchants**"). The amount represented a principal of approximately HK\$6,000,000 (2014: HK\$10,000,000) and accrued interest of approximately HK\$Nil (2014: HK\$6,856,000). The loan was overdue and carried interest at fixed rate of 0.5% per annum and penalty interest at 2% per month.

After obtaining leave of the High Court, the Group and iMerchants entered in to a deed of settlement on 8 June 2015 and pursuant to which, the parties agreed on a settlement sum of HK\$10,000,000. As at 30 June 2015, the Group has settled HK\$4,000,000. The accrued interest of HK\$6,856,000 up to 30 June 2014 was waived.

- (iv) At 30 June 2015, included in the unsecured other loans was approximately HK\$13,670,000 (2014: HK\$43,884,000) loaned from China Energy Development Holdings Limited ("**China Energy Development**"). The amounts represented a principal of approximately HK\$13,670,000 (2014: HK\$22,782,000) and accrued interest of approximately HK\$Nil (2014: HK\$21,102,000). The loan was overdue and carried interest at fixed rate of 0.5% per month and penalty interest at 2% per month.

On 28 May 2015, the Group and China Energy Development entered into a deed of settlement pursuant to which the parties agreed on a settlement sum of HK\$22,782,000. As at 30 June 2015, the Group has settled HK\$9,112,000. The accrued interest of HK\$21,102,000 up to 30 June 2014 was waived.

33. DEFERRED TAX LIABILITIES

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year were as follows:

	Revaluation of land and building HK\$'000	Revaluation of intangible assets HK\$'000	Total HK\$'000
At 1 July 2013	28,631	8,665	37,296
Exchange realignment	3,346	1,013	4,359
Effect of a change in tax rate	<u>(1,275)</u>	<u>(386)</u>	<u>(1,661)</u>
At 30 June 2014	30,702	9,292	39,994
Exchange realignment	(2,370)	(716)	(3,086)
Effect of a change in tax rate	(2,437)	(738)	(3,175)
Credited to consolidated statement of profit or loss and other comprehensive income	<u>(350)</u>	<u>—</u>	<u>(350)</u>
At 30 June 2015	<u><u>25,545</u></u>	<u><u>7,838</u></u>	<u><u>33,383</u></u>

At 30 June 2015, the Group has unused tax losses of approximately HK\$25,174,000 (2014: HK\$155,208,000) 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.

34. SHARE CAPITAL AND RESERVES

	<i>Notes</i>	Number of shares	Amount HK\$'000
Ordinary share of HK\$0.01 each			
Authorised:			
At 1 July 2013		10,000,000,000	100,000
Increase on 5 February 2014	(i)	<u>40,000,000,000</u>	<u>400,000</u>
At 30 June 2014 and 30 June 2015		<u><u>50,000,000,000</u></u>	<u><u>500,000</u></u>
Issued and fully paid:			
At 1 July 2013		3,887,753,400	38,878
Issue of shares upon placement	(ii)	1,260,000,000	12,600
Issue of shares		<u>333,333,333</u>	<u>3,333</u>
At 30 June 2014		5,481,086,733	54,811
Issue of shares	(iii)	1,500,000,000	15,000
Issue of shares upon conversion of convertible bonds	(iv)	<u>2,700,000,000</u>	<u>27,000</u>
At 30 June 2015		<u><u>9,681,086,733</u></u>	<u><u>96,811</u></u>

Notes:

- (i) On 5 February 2014, pursuant to ordinary resolution passed in an extraordinary general meeting of the Company, the authorised share capital of the Company was increased from HK\$100,000,000 to HK\$500,000,000 by the creation of an additional 40,000,000,000 new ordinary shares at a par value of HK\$0.01.
 - (ii) On 5 February 2014, the Company completed the placement of 1,260,000,000 ordinary shares at an issue price of HK\$0.05 per ordinary share. The net proceeds of the placement was approximately HK\$62,050,000 and would be used for general working capital and the general improvement of the Group's liquidity position.
 - (iii) The Second CB was partially converted into 1,500,000,000 ordinary shares of the Company on 9 October 2014.
 - (iv) The Debt CB was partially converted into 2,700,000,000 ordinary shares of the Company on 14 November 2014.
 - (v) All ordinary shares issued during the year rank pari passu with the then existing ordinary shares in all aspects.
- (a) The Group**
- (i) The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.
 - (ii) Share premium — the application of the share premium account is governed by applicable regulations of the Cayman Islands.
 - (iii) Capital reserve — capital reserve represents the waiver of amounts due to a shareholder.
 - (iv) Foreign currency translation reserve — translation reserve is arising from the translation of financial statements of overseas subsidiaries presented in their respective functional currencies to the Group's presentation currency.
 - (v) Convertible bonds reserve — convertible bonds reserve represents, in relation to the unexercised convertible bonds issued by the Company, the value of embedded options to the bondholders to convert the bonds into equity instruments of the Company.

(b) The Company

	Contribution surplus	Share premium	Capital reserve	Convertible bonds reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note (i))		(Note (ii))	(Note (iii))		
At 1 July 2013, as previously stated	22,201	1,132,593	6,510	—	(1,312,719)	(151,415)
Effect of prior year adjustments	—	—	—	—	18,445	18,445
At 1 July 2013, as restated	22,201	1,132,593	6,510	—	(1,294,274)	(132,970)
Total comprehensive expenses for the year	—	—	—	—	(301,109)	(301,109)
Issue of convertible bonds	—	—	—	193,500	—	193,500
Issue of shares	—	56,117	—	—	—	56,117
Change in equity for the year	—	56,117	—	193,500	(301,109)	(51,492)
At 30 June 2014, as restated	22,201	1,188,710	6,510	193,500	(1,595,383)	(184,462)
At 1 July 2014, as previously stated	22,201	1,188,710	6,510	350,500	(1,609,512)	(41,591)
Effect of prior year adjustments	—	—	—	(157,000)	14,129	(142,871)
At 1 July 2014, as restated	22,201	1,188,710	6,510	193,500	(1,595,383)	(184,462)
Total comprehensive expense for the year	—	—	—	—	(13,451)	(13,451)
Issue of shares	—	30,000	—	—	—	30,000
Issue of shares upon conversion of convertible bonds	—	54,000	—	(81,000)	—	(27,000)
Change in equity for the year	—	84,000	—	(81,000)	(13,451)	(10,451)
At 30 June 2015	22,201	1,272,710	6,510	112,500	(1,608,834)	(194,913)

Notes:

- (i) Contribution surplus — the contribution 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 (2013 Revision) of the Cayman Islands, the contributed surplus account is distributable to the shareholders of the Company under certain circumstances.
- (ii) Capital reserve — capital reserve represents the waiver of amounts due to a shareholder.
- (iii) Convertible bonds reserve — convertible bonds reserve represents, in relation to the unexercised convertible bonds issued by the Company, the value of embedded options to the bondholders to convert the bonds into equity instruments of the Company.

35. CONVERTIBLE BONDS RESERVE

	<i>HK\$'000</i>
	(Restated)
At 1 July 2013	—
Issue of convertible bonds and at 30 June 2014	193,500
Conversion to shares	<u>(81,000)</u>
At 30 June 2015	<u>112,500</u>

The principle terms of the convertible bonds are as follows:

	Debt CB
Maturity date	4 February 2016
Principal amount	HK\$193,500,000
Interest rate	zero
Conversion price	HK\$0.03
Conversion period	5 February 2014 to <u>4 February 2016</u>

On 20 December 2013, the Company and Mr. Yeung agreed to capitalise a debt owed by the Company to Mr. Yeung (which had been novated from a subsidiary of the Company) by issuing the Debt CB in the principal amount of HK\$193,500,000 to Mr. Yeung (please refer to the circular of the Company dated 17 January 2014 for further details). As of 30 June 2015, HK\$112,500,000 of the Debt CB was outstanding.

The Debt CB is non-redeemable and shall be converted into ordinary shares of the Company. The Debt CB is accordingly classified as equity in the consolidated financial statements of the Company.

Mr. Yeung is the largest shareholder at present, holding 27.89% of the Company's entire issued share capital. The Directors note that Mr. Yeung was convicted of money laundering offences in March 2014 and, due to a restraint order on his assets issued by the Department of Justice of Hong Kong ("DOJ"), he is prohibited from dealing with the Debt CB and his shares in the Company. On 24 September 2014, the DOJ confirmed that they will not raise any objection to the restructuring that took place under the Debt Capitalisation Agreement. On 14 August 2015, Mr. Yeung obtained leave of the Hong Kong Court of Final Appeal to appeal his conviction and the appeal was scheduled to be heard in July 2016. On 11 July 2016, the Hong Kong Court of Final Appeal dismissed Mr. Yeung's appeal (FACC Nos. 5 and 6 of 2015)

36. COMMITMENTS

Operating lease arrangements

The Group as lessee

The Group leases certain premises and motor vehicles under operating lease arrangements. Leases are negotiated for a term ranging from two to ninety nine years. The Group does not have an option to purchase the leased assets at the expiry of the lease period. At the end of the reporting period, the Group's total future minimum lease payments under non-cancellable operating leases are as follows:

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	3,761	3,738
After one year but within five years	6,404	6,818
After five years	79,584	85,920
	<u>89,749</u>	<u>96,476</u>

37. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had the following contingent liabilities:

(i) Player transfer costs

Under the terms of certain contracts with other football clubs in respect of the player transfers, additional player transfer cost would become payable if certain specific conditions are met. The maximum amount not provided that could be payable in respect of the transfers up to 30 June 2015 was approximately HK\$9,328,000 (equivalent to GBP765,000). At the end of the reporting period and up to the date of approval of these consolidated financial statements, none of these amounts have crystallised.

(ii) Claim from former directors against the Company

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

On 10 May 2013, Mr. Lee Yiu Tung ("Mr. Lee"), a former executive director of the Company, filed a claim with the Labour Tribunal of Hong Kong against the Company for unpaid wages, wages in lieu of notice and expenses paid by him on behalf of the Company of approximately HK\$1,484,000. The Company made a counterclaim against Mr. Lee on 8 October 2013 in respect of wages paid to him for the months from July to October 2012 up to the amount of HK\$240,000 and reimbursement of out-of-pocket expenses paid to him during 2010 to 2012 totaling HK\$2,000,000 for business and projects not related to the Company. On 4 June 2013, the Labour Tribunal of Hong Kong made an order to transfer the case to the High Court since both parties agreed to such transfer.

At a Case Management Conference ("CMC") was held on 16 September 2015 at the High Court, the Court directed that the CMC be adjourned to 27 April 2016. In the meantime, the Company was ordered to provide its list of documents within eight weeks and the parties were ordered to exchange witness statements within six months. On 15 December 2015,

the Company provided the list of documents to Mr. Lee. The parties were required to exchange witness statement on or before 16 March 2016. On 30 March 2016, the High Court ordered, inter alia, that (i) the parties should exchange their witness statements by 4 p.m. on 11 May 2016; and (ii) the 3rd Case Management Conference be adjourned to 12 October 2016 at 10:30 a.m.. Subsequently, on 11 May 2016, by consent, the parties agreed to stay the proceedings until 9 August 2016 pending settlement negotiations between the parties. For the avoidance of doubt, the 3rd Case Management Conference will be proceeded as fixed on 12 October 2016.

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

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

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

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

On 18 August 2015, the Company received a summons from Mr. Pannu seeking leave of the Court to amend his Statement of Claim by adding a new cause of action. In the Amended Statement of Claim, (which was filed and served on 22 September 2015), Mr. Pannu claims the following relief against the Company on the following:

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

The Receivers have obtained legal advice in respect of the merits of the case and they intend to defend all the claims of Mr. Pannu. Separately, the Receivers intend to make a number of counter-claims against Mr. Pannu for the breach of duties while Mr. Pannu was serving as (i) the executive director of the Company and the BCFC and (ii) Vice/Acting Chairman of BCFC. The claims made against Mr. Pannu will, however, be brought in HCA 1590/2015 (see Note 39 below) and, given the overlapping issues, it is likely that an application will be made in due course to consolidate HCA 1355/2015 (see above) with HCA 1590/2015.

(iii) China Energy Development

On 19 March 2015, the Receivers received a demand letter dated 19 March 2015 from the legal representative of China Energy Development demanding an immediate repayment by the Company of an aggregate sum of an outstanding principal of HK\$22,782,545 and interest of HK\$24,583,683 accrued up to 31 December 2014 together with further interest accrued up-to actual repayment date, as borrowed and owned by the Company not later than 1 April 2015.

The Receivers held several discussions with China Energy Development who eventually agreed to forego the interest due on their respective debts on the condition that 40% of the principal amount was to be paid by early June 2015 and the balance 60% of the principal amount due by 31 August 2015. The Receivers sought leave of the High Court of Hong Kong to enter into a deed of settlement with China Energy Development on 26 May 2015 and the deed of settlement was signed on 28 May 2015. Using the funding obtained from the Investor, the Receivers remitted to China Energy Development the first instalment in the sum of HK\$9,113,018 on 1 June 2015 and the second instalment in the sum of HK\$13,669,527 on 1 September 2015.

38. RELATED PARTY AND CONTINUING CONNECTED TRANSACTIONS

- (a) In addition to a related party balances detailed in the consolidated financial statements and notes 24 and 30, respectively, the Group entered into the following significant transactions with related parties during the year, some of which are also deemed to be connected parties pursuant to the Listing Rules:

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Interest paid to iMerchants	<i>(i)</i>	—	2,444
Interest paid on amounts due to Mr. Yeung	<i>(ii)</i>	—	4,867
Consultancy fees paid to Asia Rays	<i>(iii)</i>	1,200	6,124
Rental expenses paid to Asia Rays	<i>(iv)</i>	—	441
Operating cost paid to Birmingham City Ladies Football Club Limited ("BC Ladies FC")	<i>(v)</i>	1,691	1,427
Commission paid to SPLUX Company Limited ("Splux")	<i>(vi)</i>	—	1,900
Rental expenses for motor vehicle with cross-border license plate paid to Life Profit Asia Limited	<i>(vii)</i>	—	767

Notes:

- (i) iMerchants is a subsidiary of Chinese Energy Holdings Limited of which Mr. Yau Yan Ming, Raymond, a former independent non-executive director of the Company and Mr. Chan Wai Keung, a former non-executive director of the Company are both executive directors of Chinese Energy Holdings Limited.

As mentioned in note 32 of this consolidated financial statements, a deed of settlement was entered into with iMerchants. the accrued interest of HK\$6,856,000 was waived.

- (ii) The interest rate on the amounts due to Mr. Yeung was based on terms agreed among the parties.
- (iii) Mr. Pannu, a former executive Director of the Company who was removed on 9 March 2015, had beneficial interests in Asia Rays. On 22 September 2009, the Group entered into a consultancy agreement with Asia Rays for the provision of consultancy services to the Group on a monthly fee of HK\$310,000 tax-free for a term of five years commencing from 1 October 2009 and expiring on 30 September 2014. The consultancy fee was amended to GBP65,000 per month commencing from 1 July 2011 as per the amendment letter dated 28 July 2011. On 28 December 2011, the Group entered into a deed of variation with Asia Rays for the provision of consultancy services to the Group at a monthly fee of HK\$400,000 per month commencing from 1 January 2012. Details of the terms of the consultancy agreement are set in the announcement of the Company dated 23 April 2013.

During the year ended 30 June 2015, consultancy fees of approximately HK\$1,200,000 (2014: HK\$4,800,000), housing allowance of approximately HK\$Nil (2014: HK\$800,000) and reimbursements of tax of approximately HK\$Nil (2014: HK\$524,000) were paid to Asia Rays.

- (iv) On 5 March 2011, BCFC entered into a rental and management agreement (the “**Rental Agreement**”) with Asia Rays, being the landlord of an office premise in Hong Kong, for a period of 3 years commencing from 1 March 2011 to 28 February 2014 at a monthly rent of GBP5,000. Asia Rays was wholly owned and controlled by Mr. Pannu. Approximately HK\$441,000 had been paid to Asia Rays during the financial year ended 30 June 2014. The Rental Agreement expired on 28 February 2014 and had not been renewed.
- (v) Mr. Pannu has beneficial interests in BC Ladies FC.
- (vi) In 2014, Splux, a private company incorporated in Hong Kong with limited liability, directly and wholly owned by Mr. Ma Shui Cheong (“**Mr. Ma**”) who was an executive director of the Company for the period from 7 December 2012 to 9 March 2015, entered into a finder’s agreement with the Company. Pursuant to the finder’s agreement, the Company paid commission to Splux for the efforts of Mr. Ma to facilitate and secure the provision of a loan agreement made between U-Continent and the Company for a loan to the Company. Approximately HK\$1,900,000 was reported as amount paid to Splux during the year ended 30 June 2014. Upon the investigation by the management, approximately HK\$900,000 was revealed as suspected misappropriation by the former employee of the Company.

- (vii) Ms. Wang Li Fei, had beneficial interests in Life Profit Asia Limited, is a domestic partner of Mr. Yeung, a substantial shareholder of the Company. The motor vehicle agreement was terminated on 9 December 2014.

(b) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of consultancy fee paid to Asia Rays under note (iii) above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

The disclosures required by Chapter 14A of the Listing Rules are provided on pages 10 to 12 of the published annual report of the Company for the year ended 30 June 2015.

(c) Key management compensation

The key management personnel of the Group comprises the directors of the Company only. Details of compensation of directors are included in note 13.

39. EVENTS AFTER THE REPORTING PERIOD

Other than disclosed elsewhere in this Report, the Group has the following events after the reporting period:

Discharge Application

Reference is made to the announcement of the Company dated 16 March 2015 in relation to the summons issued against the Receivers by the Company seeking to, amongst other things, discharge or vary the Receivership Order and the announcement of the Company dated 25 March 2015 in relation to the summons issued against the Receivers by Mr. Yeung seeking to discharge or vary the Receivership Order (the “**Discharge Application**”).

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

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

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

By way of a summons dated 9 September 2015, Mr. Yeung applied to the High Court of Hong Kong for leave to appeal the 28 August Decision. The leave application will be heard (for directions only) on 12 October 2015.

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

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

On 5 August 2015, Mr. Yeung requested the Company to provide further and better particulars of the Statement of Claim before providing his defence. The Company agreed to answer one of the requests, which was duly provided on 14 September 2015. Mr. Yeung is required to file his defence until 28 days after the decision from the Court on the Company’s application to add Mr. Pannu as the 4th defendant is handed down.

On 25 September 2015, the Company filed an application with the Court to add Mr. Pannu as the 4th Defendant in the action and to amend the Statement of Claim. In the meantime, it has been agreed by consent that Asia Rays and Amazing Top do not need to file their defence until 42 days after the High Court of Hong Kong has given leave to the Company to add Mr. Peter Pannu as a defendant.

Hong Kong High Court Action No. 1648/2015

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

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

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		30 June 2015	30 June 2014	1 July 2013
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)	<i>HK\$'000</i> (Restated)
Non-current assets				
Property, plant and equipment		553	2,134	722
		<u>553</u>	<u>2,134</u>	<u>722</u>
Current assets				
Deposits, prepayments and other receivables		2,018	3,135	681
Amounts due from subsidiaries		116,445	89,796	45,376
Amounts due from related companies		—	320	320
Cash held at non-bank financial institutions		1	1	1
Bank balances and cash		2,296	34,502	3,868
		<u>120,760</u>	<u>127,754</u>	<u>50,246</u>
Current liabilities				
Accruals and other payables		24,842	33,054	29,506
Amounts due to subsidiaries		6,820	6,820	6,812
Amounts due to former directors		10,769	10,780	5,198
Borrowings		133,670	208,885	97,418
Amounts due to directors		—	—	544
		<u>176,101</u>	<u>259,539</u>	<u>139,478</u>
Net current liabilities		<u>(55,341)</u>	<u>(131,785)</u>	<u>(89,232)</u>
Total assets less current liabilities		<u>(54,788)</u>	<u>(129,651)</u>	<u>(88,510)</u>
Non-current liability				
Borrowings		43,314	—	—
Amounts due to directors		—	—	5,582
		<u>43,314</u>	<u>—</u>	<u>5,582</u>
NET LIABILITIES		<u>(98,102)</u>	<u>(129,651)</u>	<u>(94,092)</u>
Capital and reserves				
Share capital	34	96,811	54,811	38,878
Reserves	34	(194,913)	(184,462)	(132,970)
CAPITAL DEFICIENCY		<u>(98,102)</u>	<u>(129,651)</u>	<u>(94,092)</u>

2. DISCLAIMER OF OPINIONS

Disclaimer of opinions have been reported in the auditor's report issued by JH CPA Alliance Limited for the year ended 30 June 2013, in the Special Audit issued by ZHONGHUI ANDA CPA Limited for the year ended 30 June 2014 and in the auditor's report issued by ZHONGHUI ANDA CPA Limited for the year ended 30 June 2015, which are set out as below:

(A) For the year ended 30 June 2013

The Company's auditor has qualified the report on the Group's consolidated financial statements for the year ended 30 June 2013, an extract of which is as follows:

"We were engaged to audit the consolidated financial statements of Birmingham International Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 37 to 135, which comprise the consolidated and company statements of financial position as at 30 June 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the matters described in the basis for disclaimer of opinion paragraphs as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

However, because of the matters described in the basis for disclaimer of opinion paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

*Basis for disclaimer of opinion**1. Limitation of scope**(a) Corresponding figures*

Our reports on the consolidated financial statements of the Group for the years ended 30 June 2011 and 2012 were qualified in view of the limitations on the scope on the royalty fee income and amount due to a former director. With regard to the potential understatement of royalty fee income for the years ended 30 June 2011 and 2012, the Group as at the date of issuance of these consolidated financial statements was still in the process of negotiating the royalty fee income with the former sponsor for settlement.

Any adjustments found to be necessary to the opening balances as at 1 July 2011 and 1 July 2012 may affect the loss, cash flows and related disclosures in the notes to the consolidated financial statements for the year ended 30 June 2013. In addition, the comparative figures in respect of the net assets of the Group as at 30 June 2012, and the profit and cash flows and related disclosures in the notes to the consolidated financial statements for the year ended 30 June 2012 may not be comparable with the figures for the current year.

(b) Amount due to a former director

At 30 June 2013, the amount due to a former director, Hui Ho Leuk, Vico (“**Mr. Hui**”), was approximately HK\$5,198,000 as stated in Note 35 to the consolidated financial statements. We were unable to obtain sufficient information to verify the amount and repayment terms of this amount. There were no other satisfactory audit procedures including direct confirmation that we could perform to satisfy ourselves as to whether this amount was fairly stated in the statements of financial position as at 30 June 2013.

Any adjustments that might have been found to be necessary in respect of the above figures would have a significant consequential effect on the financial position of the Group as at 30 June 2013, and the loss and cash flows of the Group for the year then ended and the related disclosures in the consolidated financial statements.

2. *Fundamental uncertainty relating to the going concern basis*

As explained in Note 3(b) to the consolidated financial statements, the Group incurred a loss attributable to the owners of the Company of approximately HK\$118,760,000 for the year ended 30 June 2013, and had net current liabilities of approximately HK\$158,638,000 and a capital deficiency of approximately HK\$99,269,000 as at 30 June 2013. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern, the validity of which is dependent upon future funding available.

The consolidated financial statements do not include any adjustments that would result from the unavailability of future funding. We consider that appropriate disclosures have been made. However, the uncertainty surrounding the outcome of future funding available raises significant doubt as to the Group’s ability to continue as a going concern.

The consolidated financial statements do not include any adjustments that may be necessary should the future funding be unavailable. We consider that appropriate disclosures have been made in the consolidated financial statements concerning this situation, but we consider that this fundamental uncertainty relating to whether the going concern basis is so extreme that we have disclaimed our opinion.

Disclaimer of opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance."

(B) For the year ended 30 June 2014

The Company's auditor has qualified the report on the Group's consolidated financial statements for the year ended 30 June 2014, an extract of which is as follows:

"We were engaged to audit the consolidated financial statements of Birmingham International Holdings Limited (Receivers Appointed) (the "Company") and its subsidiaries (together, the "Group") set out on pages 7 to 61, which comprise the consolidated statement of financial position as at 30 June 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. However, because of the matters as described in the basis for disclaimer of opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

*Basis for disclaimer of opinion**1. Corresponding figures*

The consolidated financial statements of the Group for the year ended 30 June 2013 which form the basis for the corresponding figures presented in these consolidated financial statements were not audited by us. The predecessor auditor's audit opinion on the consolidated financial statements of the Group for the year ended 30 June 2013 was disclaimed because of the significance of the possible effect of the limitations on the scope of their audit and fundamental uncertainty relating to the going concern basis, details of which are set out in the predecessor's auditor's report dated 26 November 2013.

There were no other satisfactory audit procedures that we could perform to ascertain the existence, accuracy, presentation and completeness of certain opening balances and corresponding figures (as further detail explained in the following paragraphs) shown in these consolidated financial statements for the year ended 30 June 2014.

2. *Amounts due to directors and former directors*

At 30 June 2013, the Group recorded amounts due to directors of approximately HK\$183,352,000, and at 30 June 2013 and 30 June 2014, the Group recorded amounts due to former directors of approximately HK\$5,198,000 and HK\$10,780,000, respectively. We were unable to obtain sufficient and satisfactory audit evidence to verify the amounts and the repayment terms of these amounts. There were no other satisfactory audit procedures including direct confirmation that we could perform to satisfy ourselves as to whether these amounts were fairly stated in the consolidated statements of financial position as at 30 June 2013 and 30 June 2014.

3. *Accruals and other payables*

We have not obtained sufficient and satisfactory audit evidence to satisfy ourselves as to the existence and amounts of accruals and other payables of approximately HK\$4,996,000 and HK\$5,353,000 as at 30 June 2013 and 30 June 2014, respectively. There were no other satisfactory audit procedures including direct confirmation that we could perform to satisfy ourselves as to whether these amounts were fairly stated in the consolidated statements of financial position as at 30 June 2013 and 30 June 2014.

4. *Suspected misappropriation of funds*

The Company announced on 19 January 2015 that a former employee of the Company might have misappropriated a sum of at least HK\$30,000,000, and announced on 22 January 2015 that such former employee might have misappropriated a further sum of at least HK\$8,000,000 belonging to the Group. The Company had reported the above suspected misappropriation to the Hong Kong Police Force for investigation. They arrested the former employee on 17 January 2015, but no charges have been laid against the former employee so far. The former employee has been released on bail subsequently.

The Company finally discovered that at least an aggregate sum of approximately HK\$37,543,000 was suspected to have been misappropriated, of which the effect of an aggregate sum of HK\$27,900,000 was included in the consolidated profit or loss for the year ended 30 June 2014.

We have not obtained sufficient and satisfactory audit evidence to satisfy ourselves as to the nature of the above amounts. Furthermore, there may be a cut-off effect on the consolidated loss for the years ended 30 June 2013 and 30 June 2014 or on the financial years prior to that. We have not been provided with sufficient and satisfactory audit evidence of whether the above amounts are fairly stated and should be recorded in the year ended 30 June 2014 or prior years.

5. *Convertible notes*

(a) The U-Continent convertible notes

On 5 February 2014, the Company issued a zero coupon convertible note of principal amount of HK\$50,000,000 (the “**First CN**”) to U-Continent Holdings Limited (“**U-Continent**”). On 21 February 2014, HK\$10,000,000 of the First CN was converted into 333,333,333 ordinary shares of the Company.

In 2014, the Company issued a zero coupon convertible note in two tranches of total principal amount of HK\$125,000,000 (as to HK\$105,000,000 under the first tranche and HK\$20,000,000 under the second tranche) (the “**Second CN**”) to U-Continent. On 9 October 2014, HK\$45,000,000 of the Second CN was converted into 1,500,000,000 ordinary shares of the Company.

Subsequently, the Company rescinded the First CN and Second CN agreements (the “**Agreements**”) by way of a letter dated 20 July 2015 to U-Continent and filed a writ of summons against U-Continent in the High Court of Hong Kong (the “**High Court**”) on 21 July 2015 claiming for loss and damages suffered by the Company as a result of the alleged misrepresentations made by U-Continent, details of which are set out in the announcement of the Company dated 21 July 2015. On 12 April 2016, the Company entered into a settlement agreement with U-Continent to extend the maturity dates of the remaining unconverted First CN and Second CN to 31 December 2016 or such other date as the parties to the settlement agreement may agree in writing (with all the other terms and conditions of the remaining unconverted First CN and Second CN remain unchanged) subject to the terms and conditions of the settlement agreement.

As a result of the above legal actions, the Company has classified the remaining balance of the First CN of HK\$40,000,000 and the Second CN of HK\$125,000,000, totaling HK\$165,000,000 as at 30 June 2014, as an amount due to U-Continent, and included in borrowings.

Up to the date of these consolidated financial statements, the conditions of the settlement agreement entered into with U-Continent have not been fulfilled. We were unable to obtain sufficient appropriate audit evidence on the accounting treatment of the First CN and the Second CN, including whether the First CN and the Second CN constitute equity instruments which should be classified under convertible notes reserve, or whether the recognition of the remaining balances of the First CN of HK\$40,000,000 and the Second CN of HK\$125,000,000 as at 30 June 2014 to borrowings is appropriate. In addition, we were unable to determine whether the conversion of the First CN during the year ended 30 June 2014 constituted a transaction within the scope of HK(IFRIC) Interpretation 19 “Extinguishing Financial Liabilities with Equity Instruments” which would require the determination of the fair value of the equity instruments issued. We were also unable to quantify the effect on the consolidated profit or loss for the year ended 30 June 2014.

(b) The debt convertible note

On 20 December 2013, the Company and Mr. Yeung Ka Sing, Carson (“**Mr. Yeung**”) agreed to capitalise the debt owed by the Company of HK\$193,500,000 to Mr. Yeung by issuing a zero coupon convertible note (the “**Debt CN**”). The Debt CN could be converted to a total of approximately 6,450,000,000 ordinary shares of the Company at a conversion price HK\$0.03 per share.

The Company recorded the initial value of the Debt CN of HK\$193,500,000, which was the carrying value of the debt owed by the Company as at the completion date of the subscription agreement entered into between the Company and Mr. Yeung (i.e. 5 February 2014). However, in accordance with HK(IFRIC) Interpretation 19 “Extinguishing Financial Liabilities with Equity Instruments”, when equity instruments issued to a creditor to

extinguish all or part of a financial liability are recognised initially, an entity shall measure them at the fair value of the equity instruments issued. We have not obtained sufficient and satisfactory audit evidence to satisfy ourselves as to the fair value of the Debt CN. Any adjustment to the fair value of the Debt CN at the time of issuance will affect the consolidated profit or loss for the year ended 30 June 2014 and on the classification of the accumulated losses and convertible notes reserve as at 30 June 2014.

6. *Administrative expenses*

During the year ended 30 June 2014, the Group recorded certain administrative expenses amounted to approximately HK\$19,936,000 which mainly consisted of consultancy fees, commission expenses, staff costs, motor vehicle and travelling expenses. We have not obtained sufficient and satisfactory audit evidence to satisfy ourselves as to the nature of these expenses.

7. *Material uncertainty relating to the going concern basis*

We draw attention to note 2(b) to the consolidated financial statements. The Group recorded a loss attributable to the owners of the Company of approximately HK\$157,430,000 for the year ended 30 June 2014, and net current liabilities of approximately HK\$239,726,000 as at 30 June 2014. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern, the validity of which is dependent upon future funding available at a level sufficient to finance the working capital requirements of the Company. The consolidated financial statements do not include any adjustments that would result from the failure to obtain the financial support.

We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements. However, in view of the extent of the uncertainty relating to the availability of future funding, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

Any significant consequential effect in connection with the above matters would affect the net liabilities/net assets of the Group as at 30 June 2013 and 30 June 2014, and the Group's loss for the years ended 30 June 2013 and 30 June 2014, and the related disclosures in the consolidated financial statements.

Disclaimer of opinion

Because of the significance of the matters as described in the basis for disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.”

(C) For the year ended 30 June 2015

The Company's auditor has qualified the report on the Group's consolidated financial statements for the year ended 30 June 2015, an extract of which is as follows:

“We were engaged to audit the consolidated financial statements of Birmingham International Holdings Limited (Receivers Appointed) (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages 47 to 139, which comprise the consolidated statement of financial position as at 30 June 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Because of the matters as described in the basis for disclaimer of opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

*Basis for disclaimer of opinion**1. Corresponding figures*

The consolidated financial statements of the Group for the year ended 30 June 2014 which form the basis for the corresponding figures presented in the current year's consolidated financial statements were not audited by us. The predecessor auditor's audit opinion on the consolidated financial statements of the Group for the year ended 30 June 2014 was disclaimed because of the significance of the possible effect of the limitations on the scope of their audit and fundamental uncertainty relating to the going concern basis, details of which are set out in the predecessor's auditor's report dated 30 September 2014.

On 20 January 2015, the Company received a letter from the predecessor auditor stating that they are withdrawing their auditor's report to the shareholders dated 30 September 2014 in respect of the consolidated financial statements of the Group for the year ended 30 June 2014.

There were no satisfactory audit procedures to ascertain the existence, accuracy, presentation and completeness of certain opening balances and corresponding figures (as further detail explained in the following paragraphs) shown in the current year's consolidated financial statements.

2. *Amounts due to former directors*

At 30 June 2014 and 30 June 2015, the Group recorded amounts due to former directors of approximately HK\$10,780,000 and HK\$10,769,000, respectively. We were unable to obtain sufficient and satisfactory audit evidence to verify the amounts and the repayment terms of these amounts. There were no other satisfactory audit procedures including direct confirmation that we could perform to satisfy ourselves as to whether these amounts were fairly stated in the consolidated statements of financial position as at 30 June 2014 and 30 June 2015.

3. *Other payables*

We have not obtained sufficient and satisfactory audit evidence to satisfy ourselves as to the existence and amounts of other payables of approximately HK\$5,353,000 as at 30 June 2014 and 30 June 2015. There are no other satisfactory audit procedures including direct confirmation that we could perform to satisfy ourselves as to whether these amounts were fairly stated in the consolidated statements of financial position as at 30 June 2014 and 30 June 2015.

4. *Suspected misappropriation of funds*

The Company announced on 19 January 2015 that a former employee of the Company may have misappropriated a sum of at least HK\$30,000,000, and announced on 22 January 2015 that such former employee may have misappropriated a further sum of at least HK\$8,000,000 belonging to the Group. The Company has reported the above suspected misappropriation to the Hong Kong Police Force for investigation. They arrested the former employee on 17 January 2015, but no charges have been laid against the former employee so far. He was subsequently released on bail.

The Company finally discovered approximately HK\$37,543,000 were suspected to have been misappropriated, of which HK\$9,643,000 were included in the consolidated profit or loss for the year ended 30 June 2015 and HK\$27,900,000 were included in the consolidated profit or loss for the previous financial years up to 30 June 2014.

We have not obtained sufficient and satisfactory audit evidence to satisfy ourselves as to the nature of the above amounts. Furthermore, there may be a cut-off effect on the consolidated loss for the years ended 30 June 2014 and 30 June 2015 or on the financial years prior to that. We have not been provided with sufficient and satisfactory audit evidence of whether the above amounts are fairly stated and should be recorded in the current year or prior years.

5. *Convertible bonds*

(a) The U-Continent convertible bonds

On 5 February 2014, the Company issued a zero coupon convertible bond (the “**First CB**”) of principal amount of HK\$50,000,000 to U-Continent Holdings Limited (“**U-Continent**”). On 21 February 2014, HK\$10,000,000 of the First CB was converted into 333,333,333 ordinary shares of the Company.

In 2014, the Company issued a zero coupon convertible bond (the “**Second CB**”) in two tranches to the principal amount of HK\$125,000,000 (as to HK\$105,000,000 under the first tranche issued on 5 February 2014 and HK\$20,000,000 under the second tranche issued on 14 April 2014) to U-Continent. On 9 October 2014, HK\$45,000,000 of the Second CB was converted into 1,500,000,000 ordinary shares of the Company.

On 21 July 2015, the Company announced that the Board has resolved to institute legal proceedings against U-Continent, in connection with alleged misrepresentations made by U-Continent in the First CB and Second CB agreements (the “**Agreements**”), in which U-Continent represented that at the time of entering into the Agreements and up until the time of completion of the Agreements, U-Continent was independent from and not acting in concert with any of the Directors or substantial shareholders of the Company (the “**Misrepresentations**”). At the material times, the Company considered that, alleged misrepresentations may be given by U-Continent at the time of entering into and/or completion of the U-Continent Agreements as the Company considered that U-Continent shall be deemed as a party acting in concert with Mr. Yeung and that Mr. Yeung was the Company’s substantial shareholder and executive director. Accordingly, the Company rescinded the Agreements by way of a letter to U-Continent dated 20 July 2015 and filed a writ of summons against U-Continent in the High Court of Hong Kong on 21 July 2015 claiming for loss and damages suffered by the Company as a result of the alleged Misrepresentations. There was no further evidence proving

U-Continent being a party acting in concert with Mr. Yeung based on the Company's latest observations and findings. Further, subsequent to the publication of the Announcement, the Company received a letter from the solicitor of Mr. Yeung denying any concert party relationship between Mr. Yeung and U-Continent as alleged by the Company. The Company's allegation that a concert party relationship exists between Mr. Yeung and U-Continent cannot be conclusively proved.

In the absence of any further evidence proving any concert party allegation and the subsequent confirmation received from the solicitor of Mr. Yeung denying any concert party relationship as alleged by the Company, the Company's claim is by no means straightforward as its allegation is at a very early stage and the writ has not been served on U-Continent pending further legal advice; and Mr. Yeung will strongly refute such concert party allegation. Given the fact that it will definitely be costly and difficult to pursue the claim to the end, the Receivers decided that the most important task at hand is to enable the Company to implement the Proposed Restructuring in the interests of the Company and Shareholders and therefore to stay any further action while negotiating possible settlement with U-Continent (please refer to section headed "Reasons for the entering into of the Settlement Agreements").

As a result of the above legal actions, the Company has made a retrospective restatement to re-classify the remaining balance of the First CB of HK\$40,000,000 and Second CB of HK\$125,000,000, totaling HK\$165,000,000 as at 30 June 2014, as an amount due to U-Continent, and included in other borrowings.

During the year ended 30 June 2015, HK\$45,000,000 of the Second CB was converted into 1,500,000,000 ordinary shares of the Company. The Company has re-classified the remaining balance of the First CB of HK\$40,000,000 and Second CB of HK\$80,000,000, totaling HK\$120,000,000 as at 30 June 2015, as an amount due to U-Continent, and included in other borrowings.

Up to the date of this Report, the legal action is still in progress and no conclusion has been reached so far. We were unable to obtain sufficient appropriate audit evidence on the accounting treatment of the First CB and Second CB, including whether the First CB and Second CB constitute equity instruments which should be classified as a convertible bonds reserve, or whether the recognition of the remaining balances of the First CB of HK\$40,000,000 and Second CB of HK\$125,000,000 as at 30 June 2014,; and the remaining balances of the First CB

of HK\$40,000,000 and Second CB of HK\$80,000,000 as at 30 June 2015 to other borrowings is appropriate. In addition, we were unable to determine whether the conversion of the First CB during the year ended 30 June 2014 and conversion of the Second CB during the years ended 30 June 2015 constitute a transaction within the scope of HK(IFRIC) Interpretation 19 “Extinguishing Financial Liabilities with Equity Instruments” which would require to determine the fair value of the equity instruments issued. We were also unable to quantify the effect on the consolidated profit or loss for the years ended 30 June 2014 and 30 June 2015.

(b) Mr. Yeung’s debt convertible bonds

On 20 December 2013, the Company and Mr. Yeung agreed to capitalise the debt owed by the Company of HK\$193,500,000 to Mr. Yeung by issuing a zero coupon convertible bond (the “**Debt CB**”). The Debt CB can be converted to a total of approximately 6,450,000,000 ordinary shares of the Company at a conversion price HK\$0.03 per debt conversion share.

The Company recorded the initial value of the Debt CB of HK\$193,500,000, which was the carrying value of the debt owed by the Company as at the completion date of the subscription agreement (i.e. 5 February 2014). However, in accordance with HK(IFRIC) Interpretation 19 “Extinguishing Financial Liabilities with Equity Instruments”, when equity instruments issued to a creditor to extinguish all or part of a financial liability are recognised initially, an entity shall measure them at the fair value of the equity instruments issued. We have not obtained sufficient and satisfactory audit evidence to satisfy ourselves as to the fair value of the Debt CB. Any adjustment to the fair value of the Debt CB at the time of issuance will affect the consolidated loss for the year ended 30 June 2014 and on the classification of the accumulated losses and convertible bonds reserve as at 30 June 2014 and 30 June 2015.

6. *Administrative expenses*

During the year ended 30 June 2015, the Group recorded certain administrative expenses amounted to approximately HK\$5,663,000 which consisted of consultancy fees, staff costs, motor vehicle and travelling expenses. We have not obtained sufficient and satisfactory audit evidence to satisfy ourselves as to the nature of these expenses.

7. *Material uncertainty relating to the going concern basis*

We draw attention to note 2(b) to the consolidated financial statements, the Group recorded a loss attributable to the owners of the Company of approximately HK\$4,161,000 for the year ended 30 June 2015, and net current liabilities of approximately HK\$145,639,000 as at 30 June 2015. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern, the validity of which is dependent upon future funding available at a level sufficient to finance the working capital requirements of the Company. The consolidated financial statements do not include any adjustments that would result from the failure to obtain the financial support.

We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements. However, in view of the extent of the uncertainty relating to the availability of future funding, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

Any consequential effect in connection with the above matters would affect the net assets of the Group as at 30 June 2014 and 2015, and the Group's loss for the years ended 30 June 2014 and 30 June 2015, and the related disclosures in the consolidated financial statements.

Disclaimer of opinion

Because of the significance of the matters as described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.”

3. FINANCIAL AND TRADING PROSPECTS

It is the intention of the Investor that following completion of the Proposed Restructuring, the Group will continue its existing principal business of professional football club operation in the United Kingdom.

Upon completion of the Capital Reorganisation, it is expected that the Company will have greater flexibility for future fund raising activities. Furthermore, upon the Capital Reduction and the Share Premium Cancellation becoming effective, the credits arising therefrom of approximately HK\$91,970,000 and approximately HK\$1,272,710,000 respectively will be applied to offset the accumulated losses of the Company of approximately HK\$1,608,834,000 as at 30 June 2015. Upon completion of the Open Offer and the Subscriptions, it is expected that, after the offset against the drawn down amount of the Loans, additional income will be generated to the Group which will enable the Group to meet the English Football League's funding requirement as well as having sufficient capital for boosting the performance of the team with the aim to get promoted to the Premier League.

It is anticipated that the financial position of the Group will be substantially improved upon (i) the successful implementation of the Proposed Restructuring; and (ii) the resumption of trading in the Shares of the Company on the Stock Exchange.

4. INDEBTEDNESS

As at the close of business on 31 May 2016, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group was as follows:

	<i>HK\$'000</i>
Borrowings	
Loan from the Investor-secured (<i>Note a</i>)	129,814
Loan from U-Continent-unsecured (<i>Note b</i>)	120,000
	<u>249,814</u>
Amounts due to former directors (<i>Note c</i>)	10,769
Finance lease payables (<i>Note d</i>)	<u>330</u>
	<u><u>260,913</u></u>

Notes:

- (a) As at 31 May 2016, the secured loan from the Investor carries interest at 8% per annum and is repayable within 18 months from the date of the Loan Facility Agreement. The loan is secured by (i) a first fixed legal charge over the property owned by BCFC with a carrying value of approximately GBP19,000,000 (equivalent to approximately HK\$216,000,000); (ii) a first floating charge over all the assets, goodwill, undertaking and uncalled capital, both present and future granted or to be granted by BCFC; and (iii) a first fixed charge over all books and other debts, both present and future granted or to be granted by BCFC. On 31 May 2016, the Company and the Investor mutually agreed that the maturity date of the Loan Facility Agreement shall be extended to 25 June 2018 in accordance with the terms and conditions of the Loan Facility Agreement.
- (b) On 5 February 2014, the Company issued the UC First Convertible Notes of principal amount of HK\$50,000,000 to U-Continent. On 21 February 2014, HK\$10,000,000 of the UC First Convertible Notes was converted into 333,333,333 ordinary shares of the Company. In 2014, the Company issued the UC Second Convertible Notes in two tranches of principal amount of HK\$125,000,000 (as to HK\$105,000,000 under the first tranche issued on 5 February 2014 and HK\$20,000,000 under the second tranche issued on 14 April 2014) to U-Continent. On 9 October 2014, HK\$45,000,000 of the UC Second Convertible Notes was converted into 1,500,000,000 ordinary shares of the Company.

Subsequently, the Company rescinded the U-Continent Agreements by way of a letter to U-Continent dated 20 July 2015 and filed a writ of summons against U-Continent in the High Court on 21 July 2015 claiming for loss and damages suffered by the Company as a result of the alleged misrepresentations made by U-Continent, details of which are set out in the announcement of the Company dated 21 July 2015.

As a result of the above legal action, the Company has classified the remaining balance of the UC First Convertible Notes of HK\$40,000,000 and the UC Second Convertible Notes of HK\$80,000,000, totaling HK\$120,000,000 as at 31 May 2016, as an amount due to U-Continent, and included in borrowings.

On 12 April 2016, the Company entered into the UC Settlement Agreement with U-Continent to extend the maturity dates of the unconverted UC First Convertible Notes and UC Second Convertible Notes to 31 December 2016 or such other date as the parties to the UC Settlement Agreement may agree in writing (with all the other terms and conditions of the unconverted UC Convertible Notes remain unchanged) subject to the terms and conditions of the UC Settlement Agreement. Up to the date of this statement of indebtedness, the conditions of the UC Settlement Agreement have not been fulfilled.

- (c) Amounts due to former directors are unsecured, unguaranteed, interest free and repayable on demand.
- (d) The Group's unguaranteed finance lease obligations are secured by motor vehicles.

Contingent liabilities

As at 31 May 2016, the Group had the following contingent liabilities and potential claims:

(a) Player transfer costs

Under the terms of certain contracts with players and other football clubs, additional amounts would become payable if certain specific performance conditions are met after 31 May 2016. The maximum amount not provided that could be payable in respect of the transfers up to 31 May 2016 is approximately HK\$16,059,000.

(b) Outstanding litigations**(i) High Court Action No. 1099 of 2013**

On 10 May 2013, Mr. Lee Yiu Tung, a former executive director of the Company, filed a claim with the Labour Tribunal of Hong Kong against the Company for unpaid wages, wages in lieu of notice and expenses paid by him on behalf of the Company of approximately HK\$1,484,000. The Company made a counterclaim against Mr. Lee Yiu Tung on 8 October 2013 in respect of wages paid to him for the months from July to October 2012 up to the amount of HK\$240,000 and reimbursement of out-of-pocket expenses paid to him during 2010 to 2012 totaling HK\$2,000,000 for business and projects not related to the Company. On 4 June 2013, the Labour Tribunal of Hong Kong made an order to the case to the High Court since both parties agreed to such transfer.

At a Case Management Conference held on 16 September 2015 at the High Court, the High Court directed that the Case Management Conference be adjourned to 27 April 2016. In the meantime, the Company was ordered to provide its list of documents within eight weeks and the parties were ordered to exchange witness statements within six months. On 15 December 2015, the Company provided the list of documents to Mr. Lee Yiu Tung. The parties were required to exchange witness statement on or before 16 March 2016. On 30 March 2016, the High Court ordered, inter alia, that (i) the parties should exchange their witness statements by 4 p.m. on 11 May 2016; and (ii) the 3rd Case Management Conference be adjourned to 12 October 2016 at 10:30 a.m. Subsequently, on 11 May 2016, by consent, the parties agreed to stay the proceedings until 9 August 2016 pending settlement negotiations between the parties. For the avoidance of doubt, the 3rd Case Management Conference will be proceeded as fixed on 12 October 2016.

(ii) *High Court Action No. 1648 of 2015*

References are made to the section headed “Background of the UC Settlement Agreement” in the letter from the Board in this circular (the “Letter from the Board”), the announcements of the Company dated 21 July 2015 and 26 April 2016, respectively, and the Announcement. As disclosed therein, the Company had instituted legal proceedings against U-Continent in connection with alleged misrepresentations made by U-Continent in the U-Continent Agreements. By way of a letter dated 20 July 2015, the Company had rescinded the U-Continent Agreements and on 21 July 2015 issued a writ against U-Continent under High Court Action No. 1648 of 2015 seeking, among other things, a declaration that it had validly rescinded the U-Continent Agreements and an order compelling U-Continent to return the converted Shares to the Company and claiming for loss and damages suffered by the Company as a result of the alleged misrepresentations.

On 12 April 2016, the Company entered into the UC Settlement Agreement with U-Continent. Pursuant to the terms of the UC Settlement Agreement, the Company and U-Continent shall, within seven (7) Business Days, jointly sign and file consent summons at the High Court to apply for an interim stay of the High Court Action No. 1648 of 2015 with liberty for both and/or either of the parties to restore. As the Company has not taken any steps to serve the writ on U-Continent and U-Continent is not in a position to sign any consent summons for interim stay, the Company provided an undertaking by way of a letter dated 15 April 2016 that the Company would not serve the writ against U-Continent (subject to certain obligations of the Company and U-Continent set out in the UC Settlement Agreement). On 26 April 2016, U-Continent’s solicitors replied saying that U-Continent is agreeable to the Company’s provision of the undertaking. Pursuant to the UC Settlement Agreement, within seven (7) Business Days from the date of fulfilling the conditions precedent (i), (ii) and (v) as set out in the section headed “Conditions precedent to the UC Settlement Agreement” in the Letter from the Board whichever is later, among others, the Company shall file and serve a notice of discontinuance under the High Court Action No. 1648 of 2015. As at the latest practicable date for the purpose of this statement of indebtedness, none of the aforesaid conditions precedent has been fulfilled.

(iii) *Discharge application, LBTC 1470/2015, HCA 1355/2015 and HCA 1590/2015*

References are made to the sections headed “Background of the CY Settlement Agreement” and “Background of the PP Settlement Agreement” in the Letter from the Board, the announcements of the

Company dated 16 March 2015, 25 March 2015, 15 July 2015, 6 November 2015, 14 March 2016 and 10 May 2016, respectively, and the Announcement.

On 23 March 2015, the Receivers were served with a summons issued by Mr. Yeung seeking, amongst other, to discharge or vary the Receivership Order. At the hearing of the discharge application on 1 April 2015, the High Court directed that the hearing to be adjourned to a date to be fixed (the “Adjourned Hearing”) and, in the meantime, be advertised with directions that any interested Shareholders wishing to participate could apply to intervene in the adjourned hearing. On 24 July 2015, a group of minority Shareholders issued a summons to intervene in the hearing and seeking an order that the Receivers continue in office until Resumption or further order. The Adjourned Hearing was held on 31 July 2015 to hear the discharge application and the application of the minority Shareholders issued on 24 July 2015. The decision of the Adjourned Hearing was delivered on 28 August 2015, pursuant to which the High Court ordered that the Receivership Order to be continued until the Resumption or further order. By way of a summons dated 9 September 2015, Mr. Yeung applied to the High Court for leave to appeal the aforesaid decision of the High Court on 28 August 2015, which was subsequently disposed of by the High Court on the papers as agreed among the parties by consent. Mr. Yeung was directed to file his skeleton submissions by 12 January 2016 and the Receivers and minority Shareholders were directed to file their respective skeleton submissions by 19 January 2016.

On 11 May 2015, Mr. Pannu commenced an action against the Company in the Labour Tribunal of Hong Kong under LBTC 1470/2015 claiming approximately HK\$3.6 million (plus interest) from the Company for alleged wrongful dismissal of him as a director of the Company. The action was subsequently transferred to the High Court and designated as HCA 1355/2015, whereupon Mr. Pannu added further claims of unspecified quantum against the Company for alleged libel. By way of a consent summons filed on 20 April 2016 pending consent by the High Court, the parties have applied for a stay of proceedings under HCA 1355/2015 pending settlement negotiations. The summons was sealed by the High Court on 12 May 2016.

By a writ of summons dated 13 July 2015, the Company and BCFC commenced legal proceedings under HCA 1590/2015 against (i) Mr. Yeung claiming a total of more than HK\$100,000,000 from Mr. Yeung for various breaches of duties whilst he was a director of the Company and BCFC; and (ii) Asia Rays and Amazing Top claiming approximately HK\$3.7 million and GBP1.5 million from Asia Rays and GBP180,000 from Amazing Top for monies alleged wrongfully received from the Company and BCFC. By way of summons dated 25 September 2015, the Company and BCFC applied for leave to add Mr. Pannu as a defendant to HCA 1590/2015 claiming approximately HK\$11 million and GBP4.5 million from Mr. Pannu for various alleged breaches of duties whilst he was a director of the Company and BCFC. By way of summons dated 15 October 2015, the Company and BCFC applied to file an amended writ of summons and amended statement of claims related to HCA 1590/2015. By way of a consent summons sealed by the High Court on 15 April 2016, argument for HCA 1590/2015, which has been adjourned to 13 April 2016, has been adjourned *sine die* and proceedings against Asia Rays and Amazing Top have been stayed.

On 8 March 2016, the Company, together with BCFC, entered into the CY Settlement Agreement with Mr. Yeung and RY. Subsequent to the signing of the CY Settlement Agreement, the parties thereto have, among others, jointly signed and filed consent summonses at the High Court to apply for an interim stay of (i) HCA 1590/2015; and (ii) Mr. Yeung's pending appeal of the Receivership Order in the High Court under High Court Miscellaneous Proceedings No. 395 of 2015. Pursuant to the CY Settlement Agreement, within seven (7) Business Days from the date of fulfilling the conditions precedent (i), (ii) and (v) as set out in the section headed "Conditions precedent to the CY Settlement Agreement" in the Letter from the Board whichever is later, among others, (i) all parties concerned shall sign a consent summons for Mr. Yeung to withdraw (a) his pending appeal of the Receivership Order in the High Court; and (b) his objection to the Company's application in the Grand Court for the recognition of the Receivership Order, and for the Company to withdraw its pending application in the Grand Court for recognition of Receivership Order; and (ii) the Company and BCFC shall take steps to discontinue HCA 1590/2015 as against Mr. Yeung and any action against RY (if any). As at the latest practicable date for the purpose of this statement of indebtedness, none of the aforesaid conditions precedent has been fulfilled.

On 4 May 2016, the Company, BCFC, Mr. Pannu, Asia Rays and Amazing Top entered into the PP Settlement Agreement. Pursuant to the PP Settlement Agreement, within 14 days following fulfilment of the conditions precedent as set out in the section headed “Conditions precedent to the PP Settlement Agreement” in the Letter from the Board, (i) the Company and BCFC shall sign and file, and do all other necessary acts to cause or procure all parties named under HCA 1590/2015 to sign and file, consent summons at the High Court as soon as practicable to discontinue HCA 1590/2015 as against, Mr. Pannu if he is joined as a party and, Asia Rays and Amazing Top as soon as practicable; and (ii) Mr. Pannu shall sign and file, do all other necessary acts to cause or procure all parties named under HCA 1355/2015 to sign and file, consent summons at the High Court to discontinue HCA 1355/2015 as soon as practicable. As at the latest practicable date for the purpose of this statement of indebtedness, none of conditions precedent to the PP Settlement Agreement has been fulfilled.

(iv) *High Court Miscellaneous Proceedings No. 1429 of 2016*

On 30 January 2015, Mr. Hui Ho Luek, Vico (“Mr. Hui”), the former executive director of the Company, issued a statutory demand against the Company for an alleged debt in a sum of approximately HK\$5,231,000. Mr. Hui subsequently provided some documents to the Receivers in support of the alleged debt. Having reviewed the documents, the Receivers considered that Mr. Hui may not be able to prove the whole or part of the alleged debt. Nevertheless, the Receivers commenced settlement negotiations with Mr. Hui in order to explore the opportunity of settling his claim for the alleged debt amicably. As at the latest practicable date for the purpose of this statement of indebtedness, the settlement negotiations are still in progress.

In around mid-May 2016, Mr. Hui’s solicitors threatened to issue a winding-up petition against the Company. In view of the urgency of the matter and the dire consequence the Company may have as a result of the issuance of the winding-up petition, the Company applied for an urgent injunction application against Mr. Hui from presenting the said winding-up petition. As at the latest practicable date for the purpose of this statement of indebtedness, the urgent injunction application is pending. Results of the injunction application are disclosed in the section headed “Litigations” of Appendix IV to this circular.

Save as aforesaid and apart from intra-group liabilities and normal trade and bills and other payables in the ordinary course of the business, as at the close of business on 31 May 2016, the Group did not have any other material debt securities issued and outstanding or authorised or otherwise created but unissued, mortgage, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptable credits, guarantees or other material contingent liabilities.

In this statement of indebtedness, certain foreign currency amounts have been translated into Hong Kong dollars at the approximate exchange rates prevailing at the close of business on 31 May 2016.

5. WORKING CAPITAL SUFFICIENCY

The Directors, after due and carefully enquiry, are of the opinion that in the absence of unforeseeable circumstances and after taking into account the financial resources available to the Group including internally generated funds and the available banking facilities, following completion of the Proposed Restructuring, the Group will have sufficient working capital for its present requirements for at least the next 12 months from the expected Resumption Date.

6. NO MATERIAL CHANGE

The Directors confirm that, save for (i) the implementation of the Resumption Proposal; (ii) the net liabilities position of the Group as at 31 December 2015 resulting from the loss of the Group for the period; and (iii) the litigations as disclosed in Appendix IV in this circular, there has been no material change in the financial or trading position or outlook of the Group since 30 June 2015, being the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date.

**(A) INTRODUCTION TO THE UNAUDITED PRO FORMA CONSOLIDATED
STATEMENT OF FINANCIAL POSITION OF THE GROUP**

The accompanying unaudited pro forma consolidated statement of financial position (the “Unaudited Pro Forma Financial Information”) of Birmingham International Holdings Limited (Receivers Appointed) (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) has been prepared by the directors of the Company to illustrate the effect of the proposed restructuring of the Company, including capital reorganisation, open offer, share subscription and convertible note subscription (collectively, the “Proposed Restructuring”) and the conversion of the convertible notes issued to the investor — Trillion Trophy Asia Limited (the “Investor”), U-Continent Holdings Limited and Mr. Yeung Ka Sing, Carson (the “Conversion of Convertible Notes”)(the “Conversion of Convertible Notes”), as described in the circular in connection with the expected resumption of trading of the Company’s shares (the “Circular”) of the Company dated 5 August 2016.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 31 December 2015 as extracted from the published interim report of the Company for the six months ended 31 December 2015 after making certain pro forma adjustments resulting from the Proposed Restructuring.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and information currently available, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position of the Group that would have been attained had the Proposed Restructuring and the Conversion of Convertible Notes actually occurred on 31 December 2015. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Group’s future financial position.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group and other financial information included elsewhere in the Circular.

APPENDIX II
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE GROUP**
**(B) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL
POSITION OF THE GROUP**

	The Group							Unaudited
	as at 31							pro forma
	December							of the
2015	Pro forma adjustments						Group	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	as at 31	
(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	(Note 7)	December	
							2015	
							HK\$'000	
Non-current assets								
Property, plant and equipment	226,869	—	—	—	—	—	226,869	
Intangible assets	47,171	—	—	—	—	—	47,171	
Deposits, prepayments and other receivables	3,867	—	—	—	—	—	3,867	
	<u>277,907</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>277,907</u>	
Current assets								
Inventories	1,937	—	—	—	—	—	1,937	
Trade receivables	11,408	—	—	—	—	—	11,408	
Deposits, prepayments and other receivables	28,840	—	—	—	—	—	28,840	
Bank balances and cash	44,733	—	19,362	250,000	57,000	—	371,095	
	<u>86,918</u>	<u>—</u>	<u>19,362</u>	<u>250,000</u>	<u>57,000</u>	<u>—</u>	<u>413,280</u>	
Current liabilities								
Transfer fee payables	9,055	—	—	—	—	—	9,055	
Trade payables	15,896	—	—	—	—	—	15,896	
Accruals and other payables	33,570	—	—	—	—	—	33,570	
Deferred capital grants	654	—	—	—	—	—	654	
Amounts due to former directors	10,769	—	—	—	—	—	10,769	
Deferred income	23,025	—	—	—	—	—	23,025	
Borrowings	223,100	—	—	—	(93,000)	(120,000)	10,100	
Income tax payable	20,675	—	—	—	—	—	20,675	
	<u>336,744</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(93,000)</u>	<u>(120,000)</u>	<u>123,744</u>	

APPENDIX II
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE GROUP**

	The Group							Unaudited
	as at 31							pro forma
	December							of the
	2015							Group
	Pro forma adjustments						as at 31	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	December	
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	(Note 7)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	2015	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Net current (liabilities)/assets	(249,826)	—	19,362	250,000	150,000	120,000	—	289,536
Total assets less current liabilities	28,081	—	19,362	250,000	150,000	120,000	—	567,443
Non-current liabilities								
Transfer fee payables	3,094	—	—	—	—	—	—	3,094
Deferred capital grants	18,402	—	—	—	—	—	—	18,402
Borrowings	379	—	—	—	—	—	—	379
Deferred tax liabilities	29,747	—	—	—	—	—	—	29,747
	51,622	—	—	—	—	—	—	51,622
NET (LIABILITIES)/ASSETS	(23,541)	—	19,362	250,000	150,000	120,000	—	515,821
EQUITY								
Share capital	96,811	(91,970)	2,420	31,250	18,750	2,927	2,744	62,932
Accumulated losses	(1,467,093)	1,364,680	—	—	—	—	—	(102,413)
Other reserves	1,345,607	(1,272,710)	16,942	218,750	131,250	117,073	(2,744)	554,168
(Capital deficiency)/equity attributable to owners of the Company	(24,675)	—	19,362	250,000	150,000	120,000	—	514,687
Non-controlling interests	1,134	—	—	—	—	—	—	1,134
(CAPITAL DEFICIENCY)/TOTAL EQUITY	(23,541)	—	19,362	250,000	150,000	120,000	—	515,821

(C) NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT
OF FINANCIAL POSITION OF THE GROUP

- (1) The balances have been extracted from the unaudited condensed consolidated statement of financial position of the Group as at 31 December 2015 as set out in the published interim report of the Company for the six months ended 31 December 2015.
- (2) The adjustment represents capital reorganisation (the “Capital Reorganisation”) as follows:—

	Share capital <i>HK\$ '000</i>	Share premium <i>HK\$ '000</i>	Reserves	
			Accumulated losses <i>HK\$ '000</i>	Reserves total <i>HK\$ '000</i>
Share consolidation and capital reduction	(91,970)	—	91,970	91,970
Share premium cancellation	—	(1,272,710)	1,272,710	—
Net pro forma effect	<u>(91,970)</u>	<u>(1,272,710)</u>	<u>1,364,680</u>	<u>91,970</u>

The adjustment represents share consolidation (the “Share Consolidation”) which involves the consolidation of every twenty (20) issued and unissued shares of HK\$0.01 each into one (1) consolidated share (the “Consolidated Share(s)”) of HK\$0.20 each. Upon the Share Consolidation becoming effective, the par value of every Consolidated Share will be reduced from HK\$0.20 to HK\$0.01 each (the “Capital Reduction”). Upon the Capital Reduction becoming effective, the entire amount standing to the credit of the share premium account of the Company of approximately HK\$1,272,710,000 will be cancelled (the “Share Premium Cancellation”).

The existing issued and paid up share capital will be reduced from approximately HK\$96,810,867 to approximately HK\$4,840,543, generating a credit of approximately HK\$91,970,324 as a result of the Capital Reduction. The Company proposed that the credit of approximately HK\$91,970,324 arising from the Capital Reduction and the credit of approximately HK\$1,272,710,000 arising from the Share Premium Cancellation would be applied to set off against the accumulated losses of the Company of approximately HK\$1,364,680,324.

- (3) The adjustment represents the open offer on the basis of one (1) share for every two (2) shares held (the “Open Offer”) after the Capital Reorganisation becoming effective, assuming the Open Offer had been taken place on 31 December 2015 and no transaction cost had been incurred, as follows:—

Number of shares after the Capital Reorganisation	484,054,336
Number of new shares issued under the Open Offer	242,027,168
Proposed offer price per share	HK\$0.08
	<i>HK\$ '000</i>
Share capital	2,420
Share premium	16,942
Cash inflow from the Open Offer	<u>19,362</u>

- (4) The adjustment represents a share subscription for a total of 3,125,000,000 subscription shares at the proposed subscription price of HK\$0.08 per subscription share (the “Share Subscription”) to be issued to the Investor, assuming the Share Subscription had been taken place on 31 December 2015 and no transaction cost had been incurred, as follows:—

Number of subscription shares	3,125,000,000
Proposed subscription price per subscription share	HK\$0.08
	<i>HK\$'000</i>
Share capital	31,250
Share premium	218,750
	<hr/>
Cash inflow from the Share Subscription	250,000
	<hr/> <hr/>

- (5) The adjustment represents a convertible note subscription agreement (the “New CN Subscription Agreement”) entered into between the Company and the Investor for the subscription of convertible notes of the Company (the “New Convertible Notes”) by the Investor pursuant to the terms of the New CN Subscription Agreement. On 26 June 2015, the Company entered into a loan facility agreement (the “Loan Facility Agreement”) with the Investor. The Loan Facility Agreement covers (i) a drawdown of HK\$9,813,600 as security for the term loan facility granted by HSBC Bank plc in the United Kingdom to Birmingham City Football Club PLC and; (ii) further loans made up to a maximum aggregate amount of HK\$153,000,000 (the “Working Capital Loans”) be available for the Company to draw down within the drawdown period to enable it to meet the working capital requirements. In consideration of the entering into of the New CN Subscription Agreement, the Company and the Investor mutually agreed to partially set off their mutual debts and liabilities against each other under the New CN Subscription Agreement and the Loan Facility Agreement respectively. Up to 31 December 2015, the Group has already drawn down approximately HK\$93,000,000 of the Working Capital Loans and a further sum of HK\$57,000,000 will be drawn down before the completion of the New CN Subscription Agreement. It is assumed that the Investor will convert the New Convertible Notes in the principal amount of HK\$150,000,000, representing approximately 98.04% of the Working Capital Loans at the proposed subscription price of HK\$0.08 per share into 1,875,000,000 new conversion shares (the “New Conversion Shares”) on 31 December 2015 and no transaction cost had been incurred, as follows:—

	<i>HK\$'000</i>
Amount being drawn down as at 31 December 2015 under the Working Capital Loans	93,000
Additional loan assumed to be drawn down before the completion of the New CN Subscription Agreement	57,000
	<hr/>
	150,000
	<hr/> <hr/>
Principal amount of the New Convertible Notes	HK\$150,000,000
Proposed conversion price per share	HK\$0.08
Number of new shares converted from the New Convertible Notes	1,875,000,000
	<i>HK\$'000</i>
Share capital	18,750
Share premium	131,250
	<hr/>
	150,000
	<hr/> <hr/>

It is assumed that the fair value of the New Conversion Shares as at 31 December 2015 would be HK\$150,000,000, which is approximately the principal amount of the New Convertible Notes.

The remaining loan facilities of HK\$3,000,000 together with loan interest payable for the loan draw down from the Working Capital Loans will be rolled over with an extended maturity date to 25 June 2018 pursuant to the Loan Facility Agreement and the amendment letter to the Loan Facility Agreement entered into between the Company and the Investor on 31 May 2016.

- (6) The adjustment represents the first convertible notes (the “First CN”) and second convertible notes (the “Second CN”) issued to U-Continent Holdings Limited, assuming the remaining amount of the First CN and the Second CN had been converted on 31 December 2015 and no transaction cost had been incurred, as follows:—

Remaining amount of the First CN and the Second CN as at 31 December 2015	HK\$120,000,000
Adjusted conversion price per share after the Capital Reorganisation and the Open offer	HK\$0.41
Number of new shares converted from the First CN and the Second CN	292,682,925
	<i>HK\$'000</i>
Share capital	2,927
Share premium	117,073
	<u>120,000</u>

- (7) The adjustment represents the debt convertible notes (the “Debt CN”) issued to Mr. Yeung Ka Sing, Carson, assuming the Debt CN had been converted on 31 December 2015 and no transactions cost had been incurred, as follows:—

Remaining amount of the Debt CN as at 31 December 2015	HK\$112,500,000
Adjusted conversion price per share after the Capital Reorganisation and the Open offer	HK\$0.41
Number of new shares converted from the Debt CN	274,390,243
	<i>HK\$'000</i>
Share capital	2,744
Share premium	109,756
	<u>112,500</u>

- (8) Save as set out above, the Unaudited Pro Forma Financial Information does not take into account any trading results or other transactions of the Group subsequent to the date of the financial statements i.e. 31 December 2015 as included in the Unaudited Pro Forma Financial Information.

**ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA CONSOLIDATED
STATEMENT OF FINANCIAL POSITION OF THE GROUP**

The following is the text of a report, prepared for the sole purpose of inclusion in the Company's circular in connection with the expected resumption of trading of the Company's shares (the "Circular"), from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.



ZHONGHUI ANDA CPA Limited
Certified Public Accountants

5 August 2016

The Board of Directors
Birmingham International Holdings Limited (Receivers Appointed)

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Birmingham International Holdings Limited (Receivers Appointed) (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Group as at 31 December 2015 and related notes (the "Pro Forma Financial Information") as set out in Section B and C of Appendix II of the Circular dated 5 August 2016. The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are set out in Section A of Appendix II of the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the effect of the proposed restructuring of the Company, including capital reorganisation, open offer, share subscription and convertible note subscription (collectively, the "Proposed Restructuring") and the conversion of the convertible notes issued to the investor — Trillion Trophy Asia Limited, U-Continent Holdings Limited and Mr. Yeung Ka Sing, Carson (the "Conversion of Convertible Notes") on the Group's financial position as at 31 December 2015 as if the Proposed Restructuring and the Conversion of Convertible Notes had taken place on 31 December 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements as included in the interim report for the six months ended 31 December 2015, on which no audit or review report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion on the 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 Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled 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 Pro Forma Financial Information as disclosed.

Yours faithfully,

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Sze Lin Tang

Practicing Certificate Number P03614

Hong Kong, 5 August 2016

**(D) INTRODUCTION TO THE UNAUDITED PRO FORMA STATEMENT OF
ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

The accompanying unaudited pro forma statement of adjusted consolidated net tangible assets of Birmingham International Holdings Limited (Receivers Appointed) (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) has been prepared by the directors of the Company to illustrate the effect of the proposed restructuring of the Company, including capital reorganisation, open offer, share subscription and convertible note subscription (collectively, the “Proposed Restructuring”) and the conversion of the convertible notes issued to the investor — Trillion Trophy Asia Limited (the “Investor”), U-Continent Holdings Limited and Mr. Yeung Ka Sing, Carson (the “Conversion of Convertible Notes”), as described in the circular in connection with the expected resumption of trading of the Company’s shares (the “Circular”) of the Company dated 5 August 2016.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 31 December 2015 as extracted from the published interim report of the Company for the six months ended 31 December 2015 after making certain pro forma adjustments resulting from the Proposed Restructuring.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on a number of assumptions, estimates, uncertainties and information currently available, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, it may not give a true picture of the actual financial position of the Group that would have been attained had the Proposed Restructuring and the Conversion of Convertible Notes actually occurred on 31 December 2015. Furthermore, the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group does not purport to predict the Group’s future financial position.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group should be read in conjunction with the financial information of the Group and other financial information included elsewhere in the Circular.

(E) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED
NET TANGIBLE ASSETS OF THE GROUP

Unadjusted unaudited consolidated net liabilities of the Group as at 31 December 2015 <i>HK\$'000</i> <i>(Note 1)</i>	Less: intangible assets <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited consolidated net tangible liabilities of the Group as at 31 December 2015 <i>HK\$'000</i> <i>(Note 3)</i>	Estimated net proceeds from the Open Offer <i>HK\$'000</i> <i>(Note 3)</i>	Estimated net proceeds from the Share Subscription <i>HK\$'000</i> <i>(Note 4)</i>	Estimated net proceeds from the New CN Subscription <i>HK\$'000</i> <i>(Note 5)</i>	Conversion of the First CN and the Second CN <i>HK\$'000</i> <i>(Note 6)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company upon completion of the Proposed Restructuring <i>HK\$'000</i>
(23,541)	(47,171)	(70,712)	19,362	250,000	150,000	120,000	468,650
Unaudited consolidated net tangible liabilities per share before the Proposed Restructuring <i>(Note 7)</i>							<u>HK\$(0.01)</u>
Unaudited consolidated net tangible assets per share upon completion of the Proposed Restructuring <i>(Note 8)</i>							<u>HK\$0.07</u>

**(F) NOTES TO THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED
CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

- (1) The unadjusted unaudited consolidated net liabilities of the Group as at 31 December 2015 is extracted from the unaudited condensed consolidated statement of financial position of the Group as at 31 December 2015 as set out in the published interim report of the Company for the six months ended 31 December 2015.
- (2) The adjustment represents players' registration and trademark included in the Group's intangible assets as at 31 December 2015.
- (3) The adjustment represents the open offer on the basis of one (1) share for every two (2) shares held (the "Open Offer") after the capital reorganisation (the "Capital Reorganisation"), assuming the Open Offer had been taken place on 31 December 2015 and no transaction cost had been incurred, as follows:—

Number of shares after the Capital Reorganisation	484,054,336
Number of new shares issued under the Open Offer	242,027,168
Proposed offer price per share	HK\$0.08
	<i>HK\$'000</i>
Share capital	2,420
Share premium	16,942
	<hr/>
Cash inflow from the Open Offer	19,362
	<hr/> <hr/>

- (4) The adjustment represents a share subscription for a total of 3,125,000,000 subscription shares at the proposed subscription price of HK\$0.08 per subscription share (the "Share Subscription") to be issued to the Investor, assuming the Share Subscription had been taken place on 31 December 2015 and no transaction cost had been incurred, as follows:—

Number of subscription shares	3,125,000,000
Proposed subscription price per subscription share	HK\$0.08
	<i>HK\$'000</i>
Share capital	31,250
Share premium	218,750
	<hr/>
Cash inflow from the Share Subscription	250,000
	<hr/> <hr/>

- (5) The adjustment represents a convertible note subscription agreement (the “New CN Subscription Agreement”) entered into between the Company and the Investor for the subscription of convertible notes of the Company (the “New Convertible Notes”) by the Investor pursuant to the terms of the New CN Subscription Agreement. On 26 June 2015, the Company entered into a loan facility agreement (the “Loan Facility Agreement”) with the Investor. The Loan Facility Agreement covers (i) a drawdown of HK\$9,813,600 as security for the term loan facility granted by HSBC Bank plc in the United Kingdom to Birmingham City Football Club PLC and; (ii) further loans made up to a maximum aggregate amount of HK\$153,000,000 (the “Working Capital Loans”) be available for the Company to draw down within the drawdown period to enable it to meet the working capital requirements. In consideration of the entering into of the New CN Subscription Agreement, the Company and the Investor mutually agreed to partially set off their mutual debts and liabilities against each other under the New CN Subscription Agreement and the Loan Facility Agreement respectively. Up to 31 December 2015, the Group has already drawn down approximately HK\$93,000,000 of the Working Capital Loans and a further sum of HK\$57,000,000 will be drawn down before the completion of the New CN Subscription Agreement. It is assumed that the Investor will convert the New Convertible Notes in the principal amount of HK\$150,000,000, representing approximately 98.04% of the Working Capital Loans at the proposed subscription price of HK\$0.08 per share into 1,875,000,000 new conversion shares (the “New Conversion Shares”) on 31 December 2015 and no transaction cost had been incurred, as follows:—

	<i>HK\$'000</i>
Amount being drawn down as at 31 December 2015 under the Working Capital Loans	93,000
Additional loan assumed to be drawn down before completion of the New CN Subscription Agreement	57,000
	<u>150,000</u>
Principal amount of the New Convertible Notes	HK\$150,000,000
Proposed conversion price per share	HK\$0.08
Number of new shares converted from the New Convertible Notes	1,875,000,000
	<i>HK\$'000</i>
Share capital	18,750
Share premium	131,250
	<u>150,000</u>

It is assumed that the fair value of the New Conversion Shares as at 31 December 2015 would be HK\$150,000,000, which is approximately the principal amount of the New Convertible Notes.

The remaining loan facilities of HK\$3,000,000 together with loan interest payable for the loan drawn down from the Working Capital Loans will be rolled over with an extended maturity date to 25 June 2018 pursuant to the Loan Facility Agreement and the amendment letter to the Loan Facility Agreement entered into between the Company and the Investor on 31 May 2016.

- (6) The adjustment represents the first convertible notes (the “First CN”) and second convertible notes (the “Second CN”) issued to U-Continent Holdings Limited, assuming the remaining amount of the First CN and the Second CN had been converted on 31 December 2015 and no transaction cost had been incurred, as follows:—

Remaining amount of the First CN and the Second CN as at 31 December 2015	HK\$120,000,000
Adjusted conversion price per share after the Capital Reorganisation and the Open Offer	HK\$0.41
Number of new shares converted from the First CN and the Second CN	292,682,925
	<i>HK\$'000</i>
Share capital	2,927
Share premium	117,073
	<u>120,000</u>

- (7) The unaudited consolidated net tangible liabilities per share before the Proposed Restructuring is based on the unadjusted unaudited consolidated net tangible liabilities of the Group as at 31 December 2015 of approximately HK\$70,712,000 divided by 9,681,086,733 shares in issue prior to the Proposed Restructuring.
- (8) The unaudited consolidated net tangible assets per share after the Proposed Restructuring is based on the unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 December 2015 of approximately HK\$468,650,000 divided by 6,293,154,672 issued shares of the Company, which represented 9,681,086,733 shares in issue prior to the Proposed Restructuring, reduced by 9,197,032,397 shares under the consolidation of every twenty (20) issued and unissued shares of HK\$0.01 each into one (1) consolidated share of HK\$0.20 each (detailed in Appendix II (C) note 2), increased by 242,027,168 new shares to be issued under the Open Offer, 3,125,000,000 subscription shares expected to be issued upon completion of the Share Subscription, 1,875,000,000 new shares expected to be issued upon conversion of the New Convertible Notes, 292,682,925 new shares expected to be issued upon conversion of the First CN and the Second CN, and 274,390,243 new shares expected to be issued upon conversion of the debt convertible notes (detailed in Appendix II (C) note 7).
- (9) Save as set out above, the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group does not take into account any trading results or other transactions of the Group subsequent to the date of the financial statements i.e. 31 December 2015 as included in the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group.

**ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF
ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

The following is the text of a report, prepared for the sole purpose of inclusion in the Company's circular in connection with the expected resumption of trading of the Company's shares (the "Circular"), from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.



ZHONGHUI ANDA CPA Limited
Certified Public Accountants

5 August 2016

The Board of Directors
Birmingham International Holdings Limited (Receivers Appointed)

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Birmingham International Holdings Limited (Receivers Appointed) (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 December 2015 and related notes as set out in Section E and F of Appendix II of the Circular dated 5 August 2016. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are set out in Section D of Appendix II of the Circular.

The pro forma statement of adjusted consolidated net tangible assets of the Group has been compiled by the Directors to illustrate the impact of the effect of the proposed restructuring of the Company, including capital reorganisation, open offer, share subscription and convertible note subscription (collectively, the "Proposed Restructuring") and the conversion of the convertible notes issued to the investor — Trillion Trophy Asia Limited, U-Continent Holdings Limited and Mr. Yeung Ka Sing, Carson (the "Conversion

of Convertible Notes”) on the Group’s net tangible assets as at 31 December 2015 as if the Proposed Restructuring and the Conversion of Convertible Notes had taken place on 31 December 2015. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s unaudited condensed consolidated financial statements as included in the interim report for the six months ended 31 December 2015, on which no audit or review report has been published.

Directors’ Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma statement of adjusted consolidated net tangible assets of the Group with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant’s Responsibilities

Our responsibility is to express an opinion on the pro forma statement of adjusted consolidated net tangible assets of the Group 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 pro forma statement of adjusted consolidated net tangible assets of the Group beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma statement of adjusted consolidated net tangible assets of the Group with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma statement of adjusted consolidated net tangible assets of the Group, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma statement of adjusted consolidated net tangible assets of the Group.

The purpose of the pro forma statement of adjusted consolidated net tangible assets of the Group is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma statement of adjusted consolidated net tangible assets of the Group has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma statement of adjusted consolidated net tangible assets of the Group provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma statement of adjusted consolidated net tangible assets of the Group reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma statement of adjusted consolidated net tangible assets of the Group has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma statement of adjusted consolidated net tangible assets of the Group.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the pro forma statement of adjusted consolidated net tangible assets of the Group has been properly compiled 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 pro forma statement of adjusted consolidated net tangible assets of the Group as disclosed.

Yours faithfully,

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Sze Lin Tang

Practicing Certificate Number P03614

Hong Kong, 5 August 2016

The results forecast for the year ending 30 June 2017 and the six months ending 31 December 2017 as set out below, which is for illustrative purpose only, has been prepared for the information of the Shareholders.

On the bases and assumptions as set forth below, and in the absence of unforeseen circumstances, the Company forecasts that the consolidated loss (the “Results Forecast”) attributable to owners of the Company and loss per New Share for the year ending 30 June 2017 and the six months ending 31 December 2017 (the “Forecast Period”) will be:

(A) RESULTS FORECAST

For the year ending 30 June 2017

Unaudited estimated consolidated loss attributable to owners of the Company for the year ending 30 June 2017 <i>(note 1)</i>	Not more than loss of approximately HK\$171 million
--	---

Unaudited estimated consolidated loss attributable to owners of the Company per New Share for the year ending 30 June 2017 <i>(note 2)</i>	Not more than approximately HK2.72 cents
--	--

For the six months ending 31 December 2017

Unaudited estimated consolidated loss attributable to owners of the Company for the six months ending 31 December 2017 <i>(note 1)</i>	Not more than loss of approximately HK\$95 million
--	--

Unaudited estimated consolidated loss attributable to owners of the Company per New Share for the six months ending 31 December 2017 <i>(note 2)</i>	Not more than approximately HK1.51 cents
--	--

Notes:

1. The forecast for the unaudited estimated consolidated loss attributable to owners of the Company for the year ending 30 June 2017 and for the six months ending 31 December 2017 are prepared based on the assumptions summarised in the section below.

2. The calculation of the unaudited estimated consolidated loss attributable to owners of the Company per New Share for the year ending 30 June 2017 and for the six months ending 31 December 2017 are calculated on a pro forma basis and are based on the unaudited estimated consolidated loss attributable to owners of the Company divided by 6,293,154,672 New Shares, being the number of New Shares upon completion of the Proposed Restructuring and completion of the Placing Agreement, and assuming full conversion of the Existing Convertible Notes and full conversion of the New Convertible Notes.

B. BASES AND ASSUMPTIONS

1. The Results Forecast has been prepared on the basis of accounting policies consistent in all material respects with those presently adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 30 June 2015 and based on the audited consolidated results of the Group for the year ended 30 June 2015 and the unaudited consolidated results based on the management accounts of the Group for the eleven months ended 31 May 2016.
2. The Proposed Restructuring will be successfully implemented and completed in or around October 2016. Upon completion of the Proposed Restructuring, the Receivers appointed pursuant to the Receivership Order will be released and the Receivership Order will be discharged.
3. The Group is able to continue its business as a going concern.
4. In the Results Forecast, the team will remain competing at the Football League Championship for season 2016/2017. Upon completion of the Proposed Restructuring, it is intended that approximately HK\$120 million, being part of the proceeds from the Open Offer and the Subscriptions, will be used to acquire, when considered appropriate, additional talented players who are expected to make contribution to and help enhancing the competitiveness of the team significantly so as to assist the team to reach the goal of being promoted to the Premier League in season 2017/2018. However, as whether the team will get promoted to the Premier League is subject to many uncertainties, it is assumed in the Results Forecast that the team will not get promoted and remain compete in the Football League Championship in season 2017/2018.

5. There will be no material changes in the business operation of the Group and the Group will continue with its existing principal business i.e. professional football club operation. Therefore, the Results Forecast is prepared based on the assumption that the professional football club operation will remain as the Group's principal business for the Forecast Period. Revenue derived from the professional football club operation will continue to be the major source of the Group's revenue for the Forecast Period.
6. The Group's operations will not be adversely affected by interruptions as a result of football players shortages or disputes, or of any other human factors that are beyond the Group's control.
7. Save for the effect of the impending exit of the United Kingdom from the European Union and the impact of which to the football industry in England is premature to be determined at present, there will be no other material changes in the existing political, legal, regulatory, fiscal, market or economic conditions in Hong Kong and the United Kingdom in which the Group operates or which are otherwise material to the Group's business.
8. Save for the effect of the impending exit of the United Kingdom from the European Union and the impact of which to the football industry in England is premature to be determined at present, there will be no other material changes in legislations, regulations or rules in Hong Kong and the United Kingdom or any other countries or territories in which the Group operates or with which the Group has arrangements or agreements, which may materially adversely affect the Group's business or operations.
9. Save for the recent volatility of exchange rate of GBP against other major currencies, there will be no other material changes in inflation rates, interest rates or foreign exchange rates from those currently prevailing in the context of the Group's operations. The exchange rate of GBP1 to HK\$10.3926 is used in preparing the Results Forecast for the Forecast Period.
10. There will be no material changes in the bases or applicable rates of taxation, surcharges or other government levies in Hong Kong and the United Kingdom, jurisdictions in which the Group operates.
11. There will be no material impairment to the values of the Group's intangible assets, representing the acquisition costs of the players' registration, during the Forecast Period.

12. All licenses, existing or otherwise, required for the operation of BCFC and its football club in their normal and ordinary course of business will remain effective or be obtained and that BCFC and its football club are able to successfully renew or obtain all licenses when they become expired or required.
13. The Group's operations and business will not be materially affected or interrupted by any force majeure events, including but not limited to the occurrence of natural disasters or catastrophes (such as earthquakes, floods and typhoons), epidemics or serious accidents that are beyond the control of the Group.
14. Given the successful completion of the series of events required for the completion of the Resumption Proposal, the trading in the New Shares is expected to be resumed in or around October 2016.

Revenue

15. The team was relegated from the Premier League in season 2010/2011 and has started to compete in the Football League Championship since season 2011/2012. BCFC had received parachute payments from the Premier League totaling approximately GBP48 million for the last four consecutive football seasons i.e. from season 2011/2012 to 2014/2015. However, starting from season 2015/2016, BCFC was no longer entitled to such parachute payments but had instead been receiving solidarity payments totaling GBP2.3 million from the Premier League for season 2015/2016. For season 2016/2017, it is advised by the English Football League that solidarity payments totaling GBP4.3 million will be received.

In addition to the solidarity payments mentioned above, BCFC has also been receiving basic award distributions from the English Football League totaling approximately GBP1.95 million per annum starting from season 2015/2016 for competing in the Football League Championship.

The reduction in subsidies (i.e. parachute payments) received by BCFC from the Premier League leads to a significant drop in the revenue of BCFC for the year ended 30 June 2016 and the year ending 30 June 2017 as compared to previous years. Accordingly, the subsidies received from the Premier League by the Group for the year ended 30 June 2016 had been reduced to approximately GBP4.25 million (i.e. solidarity payments and basic award distributions) and for the year ending 30 June 2017, it is expected to be

reduced to approximately GBP6.25 million (i.e. solidarity payments and basic award distributions) as compared to approximately GBP10.1 million received by the Group for the year ended 30 June 2015.

16. It is assumed that the team will not get promoted and remain compete in the Football League Championship in season 2017/2018 and BCFC is expected to receive the same amount of solidarity payments and basic award distributions totaling approximately GBP6.25 million as expected for season 2016/2017.
17. It is assumed that the revenues from gate receipts, season tickets, souvenir shops, catering, sponsorship and advertising sales for season 2016/2017 and season 2017/2018 are expected to be about the same as for season 2015/2016. Thus, the forecast revenues from gate receipts, seasons tickets, souvenir shops, catering, sponsorship and advertising sales of BCFC for the year ending 30 June 2017 and the six months ending 31 December 2017 are expected to be amounting to approximately GBP8.4 million and approximately GBP4.6 million respectively as compared to approximately GBP9.3 million for the year ended 30 June 2016.
18. It is assumed that the revenue from TV live broadcast matches for season 2016/2017 and season 2017/2018 will be about the same as for season 2015/2016. The forecast revenue from TV live broadcast matches of BCFC for the year ending 30 June 2017 and the six months ending 31 December 2017 are expected to be amounting to approximately GBP0.7 million and approximately GBP0.4 million respectively as compared to approximately GBP0.7 million for the year ended 30 June 2016.
19. During the Forecast Period, no sale of key players is projected in order to maintain the morale and competitiveness of the team and no profit on sale of players' registration is assumed.

Expenditures

20. Given the combined effect of (i) the planned acquisition of new players before commencement of season 2016/2017 i.e. August 2016 and following Resumption during the transfer window in January 2017; and (ii) the annual increment of players' wages, the salaries and wages costs of BCFC for the year ending 30 June 2017 and the six months ending 31 December 2017 are expected to be amounting to approximately GBP19.4 million and approximately GBP10.2 million respectively as compared to approximately GBP15.4 million for the year ended 30 June 2016.

21. It is assumed that matches and ground expenses, including the cost of sales to generate the revenues of souvenir shops, catering and advertising sales, are expected to be about the same for season 2016/2017 and season 2017/2018 as for season 2015/2016. Thus, the matches and ground expenses of BCFC for the year ending 30 June 2017 and the six months ending 31 December 2017 are expected to be amounting to approximately GBP6.7 million and approximately GBP3.6 million respectively as compared to approximately GBP6.5 million for the year ended 30 June 2016.
22. It is assumed that after the Resumption, no material legal and professional fees in relation to the restructuring of the Group will be incurred. As such, the administrative expenses of the Group for the year ending 30 June 2017 and the six months ending 31 December 2017 are expected to be amounting to approximately HK\$18.4 million and approximately HK\$3.9 million respectively as compared to approximately HK\$28.2 million for the year ended 30 June 2016.
23. After the Resumption, the Group will maintain its loan facility under the Loan Facility Agreement and the Amendment Letter with the Investor at an interest rate of 8% interest per annum for Loans outstanding and standby funding support, it is forecasted that the loan interest expenses for the year ending 30 June 2017 and the six months ending 31 December 2017 will be amounting to approximately HK\$6.4 million and approximately HK\$1.4 million respectively as compared to approximately HK\$7.7 million for the year ended 30 June 2016.

Others

24. With reference to the Company's announcement dated 10 May 2016, the Company, BCFC, Mr. Pannu, Asia Rays and Amazing Top entered into the PP Settlement Agreement on 4 May 2016. Pursuant to the terms of the PP Settlement Agreement, Mr. Pannu shall, within 14 days upon the fulfillment of the conditions precedent stated therein, cause and execute any documents to transfer his entire shareholding in BCLFC, a company registered in the United Kingdom and operate as a ladies football club, to BCFC. Based on the latest management accounts of BCLFC available, it is estimated that approximately GBP300,000 per annum is required to finance its operation. As such, it is assumed that BCLFC will operate under this budget and GBP300,000 and GPB150,000 will be provided by BCFC to BCLFC for the year ending 30 June 2017 and the six months ending 31 December 2017 respectively as compared to approximately GBP326,000 provided by BCFC to BCLFC for the year ended 30 June 2016.

25. Upon Resumption, the Investor will conduct a detailed review on the business operations and financial position of the Group for the purpose of formulating appropriate business plans and strategies which may include asset acquisitions, business diversification, business rationalisation, business divestment and/or asset disposals in order to enhance the long-term growth potential of the Group.

C. LETTER FROM ZHONGHUI ANDA CPA LIMITED

The following is the text of a letter, prepared for inclusion in this Circular, received by the Directors and TC Capital International Limited from the Company's auditor, ZHONGHUI ANDA CPA Limited, in connection with the results forecast of the Company for the year ending 30 June 2017 and for the six months ending 31 December 2017.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

5 August 2016

The Board of Directors
Birmingham International Holdings Limited (Receivers Appointed)
TC Capital International Limited

Dear Sirs,

Results Forecast for the Year ending 30 June 2017 and six months ending 31 December 2017

We refer to the results forecast of Birmingham International Holdings Limited (Receivers Appointed) (the "Company") for the year ending 30 June 2017 and six months ending 31 December 2017 (the "Results Forecast") set forth in Appendix III in the circular of the Company dated 5 August 2016 (the "Circular").

Directors' Responsibilities

The Results Forecast has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2015, the unaudited consolidated results based on the management accounts of the Group for the 11 months ended 31 May 2016 and a forecast of the consolidated results of the Group for the remaining 19 months ending 31 December 2017.

The Company's directors are solely responsible for the Results Forecast.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Results Forecast based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Results Forecast in accordance with the bases and assumptions adopted by the directors and as to whether the Results Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Results Forecast has been properly compiled in accordance with the bases and assumptions adopted by the directors as set out in Appendix III of the Circular and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in Appendix I of the Circular.

Other matters

Without qualifying our opinion, we draw your attention to the assumptions in relation to availability of funds upon completion of the Proposed Restructuring (as defined in the Circular), which will be subject to approval of the resumption of trading in the Company's shares by The Stock Exchange of Hong Kong Limited.

Yours faithfully,

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Sze Lin Tang

Practising Certificate Number P03614

Hong Kong

D. LETTER FROM TC CAPITAL INTERNATIONAL LIMITED

The following is the full text of the letter from TC Capital International Limited in respect of the forecasts of the Company for the year ending 30 June 2017 and the six months ending 31 December 2017.

The Board of Directors
Birmingham International Holdings Limited (Receivers Appointed)
Room 1200, 12/F
Wing On Centre
111 Connaught Road Central
Hong Kong

5 August 2016

Dear Sirs,

We refer to the results forecast of Birmingham International Holdings Limited (Receivers Appointed) (the “**Company**”) for the year ending 30 June 2017 and the six months ending 31 December 2017 (the “**Results Forecast**”) as set out in this circular dated 5 August 2016 issued by the Company to the Shareholders (the “**Circular**”) and of which this letter forms part. Capitalised terms used herein shall have the same meanings as those defined in the Circular unless the context requires otherwise.

We are engaged to assist the Directors to comply with paragraph 29(2) of Part B of Appendix 1 to the Listing Rules and Rule 10 of the Takeovers Code. We are not reporting on the arithmetical calculations of the Results Forecast and the adoption of accounting policies thereof. We have reviewed the forecasts and the assumptions in deriving the Results Forecast for which the Directors are solely responsible, and have reviewed and discussed with the Directors the information and documents provided by the Directors which formed part of the bases and assumptions, which are set out in the section headed “B. Bases and assumptions” in Appendix III to the Circular, upon which the Results Forecast has been prepared. We have also considered the letter from ZHONGHUI ANDA CPA Limited dated 5 August 2016 addressed to the Company and us regarding the calculations and accounting policies upon which the underlying loss forecast of the Results Forecast have been made.

Our work has been undertaken for the purpose of reporting solely to the Board under paragraph 29(2) of Part B of Appendix 1 to the Listing Rules and Rule 10 of the Takeovers Code and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

On the basis of the foregoing, we are of the opinion that the Results Forecast, for which the Directors are solely responsible, (i) has been made with due care and consideration by the Directors; and (ii) has been made by the Directors after due and careful enquiry.

Yours faithfully,

For and on behalf of

TC Capital International Limited

Edward Wu

Chairman

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular (other than the information relating to any members of the Concert Group) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code. All Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to any members of the Concert Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than expressed by the Concert Group) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The directors of the Investor accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed by the Concert Group in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised share capital and the issued share capital of the Company as at the Latest Practicable Date and immediately following completion of the Capital Reorganisation, the Open Offer, the Subscriptions and the issue of the New Conversion Shares and the Existing Conversion Shares are set out below.

(a) As at the Latest Practicable Date:

Authorised:	<i>HK\$</i>
<u>50,000,000,000</u> Shares of HK\$0.01 each	<u>500,000,000.00</u>
Issued and fully paid:	<i>HK\$</i>
<u>9,681,086,733</u> Shares of HK\$0.01 each	<u>96,810,867.33</u>

All Shares in issue rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital.

(b) Immediately following completion of the Capital Reorganisation, the Open Offer, the Subscriptions and the issue of the New Conversion Shares and the Existing Conversion Shares:

Authorised:	<i>HK\$</i>
<u>50,000,000,000</u> New Shares of HK\$0.01 each	<u>500,000,000.00</u>
Issued and fully paid:	<i>HK\$</i>
484,054,336 New Shares of HK\$0.01 each to be in issue immediately after completion of the Capital Reorganisation	4,840,543.36
242,027,168 Offer Shares to be issued	2,420,271.68
3,125,000,000 Subscription Shares to be issued	31,250,000.00
1,875,000,000 New Conversion Shares to be issued	18,750,000.00
<u>567,073,168</u> Existing Conversion Shares to be issued	<u>5,670,731.68</u>
<u>6,293,154,672</u> New Shares	<u>62,931,546.72</u>

The New Shares will be identical and rank *pari passu* in all respects including but not limited as to dividends, voting rights and return of capital with each other. When allotted, issued and fully paid, the Offer Shares, the Subscription Shares, the New Conversion Shares and the Existing Conversion Shares will rank *pari passu* in all respect with the then New Shares in issue on the date of allotment and issuance of the Offer Shares, the Subscription Shares, the New Conversion Shares and the Existing Conversion Shares respectively. Holders of the New Shares, the Offer Shares, the Subscription Shares, the New Conversion Shares and the Existing Conversion Shares will be entitled to receive all future dividend and distributions which are declares, made and paid after the date of allotment and issuance of the New Shares, the Offer Shares, the Subscription Shares, the New Conversion Shares and the Existing Conversion Shares respectively.

As at the Latest Practicable Date, save for the Existing Convertible Notes, the Company has no other outstanding options, warrants, derivatives or convertible securities in issue which confer any rights to subscribe for, convert or exchange into Shares. The Company has not issued any Shares since 30 June 2015, being the end of the last financial year of the Company.

The Shares are currently listed on the Main Board of the Stock Exchange. None of the equity or debt securities of the Company is listed or dealt in any other stock exchange and listing or permission to deal in the Shares or loan capital of the Company is not being, or proposed to be, sought on any other stock exchange.

3. MARKET PRICES

The table below shows the closing price per Share as quoted on the Stock Exchange on (i) the last trading day on which trading took place in each of calendar months during the Relevant Period; (ii) the last trading day immediately preceding the date of the Initial Announcement; (iii) the last trading day immediately preceding the date of the Announcement; and (iv) the Latest Practicable Date.

A summary of the closing price of the Shares

Date	Closing price per Share (HK\$)
2014	
31 October 2014	0.050
28 November 2014	0.074
4 December 2014 (being the last trading day before suspension)	0.067
31 December 2014	Suspended
2015	
30 January 2015	Suspended
27 February 2015	Suspended
30 March 2015	Suspended
31 March 2015 (being the date of the Initial Announcement)	Suspended
30 April 2015	Suspended
29 May 2015	Suspended
30 June 2015	Suspended
31 July 2015	Suspended
28 August 2015	Suspended
30 September 2015	Suspended
30 October 2015	Suspended
30 November 2015	Suspended
31 December 2015	Suspended
2016	
29 January 2016	Suspended
29 February 2016	Suspended
31 March 2016	Suspended
29 April 2016	Suspended
31 May 2016	Suspended
3 June 2016	Suspended
30 June 2016	Suspended
29 July 2016	Suspended
3 August 2016 (Latest Practicable Date)	Suspended

As shown above, the highest and the lowest closing prices of the Shares during the Relevant Period were HK\$0.074 per Share and HK\$0.050 per Share, respectively.

4. DISCLOSURE OF INTERESTS**4.1 Directors' and Chief Executives' interests and short positions**

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors and Chief Executives of the Company and their associates had any interests and short positions in the Shares, underlying Shares and debentures of the Company and/or its associated corporations (with meanings of Part XV of the SFO) which (i) were required, 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), to be notified to the Company and the Stock Exchange; (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange; or (iv) were required to be disclosed in this circular pursuant to the requirements of the Takeovers Code.

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors was a director or employee of the companies which have an interest in the Shares and underlying Shares as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4.2 Substantial Shareholders' interest and short positions

As at the Latest Practicable Date, to the best knowledge of the Directors, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

Long positions in the Shares:

Name of substantial Shareholders	Number of Shares interested	Number of underlying Shares interested	Total interest	Percentage of the issued share capital as at the Latest Practicable Date (Approximate %)
Mr. Yeung	2,700,000,000	3,750,000,000 <i>(Note 2)</i>	6,450,000,000	66.62
U-Continent	1,500,000,000 <i>(Note 1)</i>	4,000,000,000 <i>(Note 3)</i>	5,500,000,000	56.81
Mr. Wang Lei	1,500,000,000 <i>(Note 1)</i>	4,000,000,000 <i>(Note 3)</i>	5,500,000,000	56.81
Mr. Suen	3,125,000,000 <i>(Note 4)</i>	1,875,000,000 <i>(Note 5)</i>	5,000,000,000	51.65
Wealthy Associates International Limited (“Wealthy Associates”)	3,125,000,000 <i>(Note 4)</i>	1,875,000,000 <i>(Note 5)</i>	5,000,000,000	51.65
The Investor	3,125,000,000 <i>(Note 4)</i>	1,875,000,000 <i>(Note 5)</i>	5,000,000,000	51.65
The Underwriter	242,027,168	—	242,027,168	33.33 <i>(Note 6)</i>
Galaxy Sky Investments Limited	242,027,168	—	242,027,168	33.33 <i>(Note 6)</i>
Kingston Capital Asia Limited	242,027,168	—	242,027,168	33.33 <i>(Note 6)</i>
Kingston Financial Group Limited	242,027,168	—	242,027,168	33.33 <i>(Note 6)</i>
Active Dynamic Limited	242,027,168	—	242,027,168	33.33 <i>(Note 6)</i>
Ms. Chu Yuet Wah	242,027,168	—	242,027,168	33.33 <i>(Note 6)</i>

Notes:

- (1) As at the Latest Practicable Date, according to information available to the Receivers, U-Continent was wholly owned by Mr. Wang Lei. Mr. Wang Lei is therefore deemed to be interested in 1,500,000,000 Shares held through U-Continent.
- (2) This represents the 3,750,000,000 Shares that Mr. Yeung is entitled to upon full exercise of the conversion rights attaching to the outstanding CY Convertible Notes at the initial conversion price of HK\$0.03 per conversion share.
- (3) This represents the 4,000,000,000 Shares that U-Continent is entitled to upon full exercise of the conversion rights attaching to the outstanding UC Convertible Notes at the initial conversion price of HK\$0.03 per conversion share. As at the Latest Practicable Date, according to information available to the Receivers, U-Continent was wholly owned by Mr. Wang Lei. Mr. Wang Lei is therefore deemed to be interested in 4,000,000,000 underlying Shares under the SFO.

- (4) This represents the 3,125,000,000 New Shares that the Investor is deemed to be interested under the Share Subscription Agreement. The Investor is a wholly owned subsidiary of Wealthy Associates which in turn is wholly owned by Mr. Suen. Accordingly, Wealthy Associates and Mr. Suen are deemed to be interested in the 3,125,000,000 New Shares under the SFO.
- (5) This represents the 1,875,000,000 underlying New Shares that the Investor is deemed to be interested under the New CN Subscription Agreement. The Investor is a wholly owned subsidiary of Wealthy Associates which in turn is wholly owned by Mr. Suen. Accordingly, Wealthy Associates and Mr. Suen are deemed to be interested in the 1,875,000,000 underlying New Shares under the SFO.
- (6) The 242,027,168 Shares are the Offer Shares which the Underwriter is interested under the Underwriting Agreement on the assumption of no acceptance by the Qualifying Shareholders under the Open Offer. The Underwriter is a wholly-owned subsidiary of Galaxy Sky Investments Limited, which is wholly owned by Kingston Capital Asia Limited. Kingston Capital Asia Limited is wholly owned by Kingston Financial Group Limited. Active Dynamic Limited owns 49.19% interest in Kingston Financial Group Limited. Ms. Chu Yuet Wah owns 100% interest in Active Dynamic Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons (who were not Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

5. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES

As at the Latest Practicable Date,

- (a) save for the securities of the Company to be subscribed for or acquired (as applicable) under the Share Subscription Agreement, the New CN Subscription Agreement and the Placing Agreement, none of the members of the Concert Group held, controlled, owned or had direction over any Shares, securities, options, warrants, convertible securities and derivatives of the Company or had dealt for value in the Shares, securities, options, warrants, convertible securities and derivatives of the Company during the Relevant Period;
- (b) none of the directors of the Investor had any interest in any Shares, securities, options, warrants, convertible securities and derivatives of the Company or had dealt for value in any Shares, securities, options, warrants, convertible securities and derivatives of the Company during the Relevant Period;

- (c) no person, prior to the posting of this circular, had irrevocably committed themselves to vote for or against the resolutions to be proposed at the EGM to approve the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and/or the Special Deals, and accordingly there is no such person who had dealt for value in any Shares, securities, options, warrants, convertible securities and derivatives of the Company during the Relevant Period;
- (d) save for the Share Subscription Agreement, the New CN Subscription Agreement and the Placing Agreement, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between (i) any of the Investor, its ultimate beneficial owners, parties acting in concert with any of them and any associate of the Investor; and (ii) any other persons, and save for the Subscriptions and the transactions contemplated under the Placing Agreement, no person who had any arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any of the Investor, the ultimate beneficial owner of the Investor, parties acting in concert and any associate of the Investor had dealt for value in any Shares, securities, options, warrants, convertible securities and derivatives of the Company during the Relevant Period;
- (e) save for the Share Subscription Agreement, the New CN Subscription Agreement and the Placing Agreement, there was no other agreement, arrangement or understanding (including any compensation arrangement) between any members of the Concert Group and any Directors, recent directors, Shareholders and/or recent Shareholders having any connection with or dependence upon the Proposed Restructuring and/or the Whitewash Waiver and/or the Special Deals;
- (f) save for the Placing Agreement, there was no agreement, arrangement or understanding that any securities acquired by the Investor, its ultimate beneficial owners or parties acting in concert with any of them under the Subscriptions and the Open Offer or as a result of any obligation under the Underwriting Agreement or the Settlement Agreements would be transferred, changed or pledged to any other persons;
- (g) the Company was not interested in any securities, options, warrants, convertible securities and derivatives of the Investor and had not dealt for value in any securities, options, warrants, convertible securities and derivatives of the Investor during the Relevant Period;
- (h) none of the Directors was interested in and had dealt for value in the securities, options, warrants and convertible securities and derivatives of the Company and the Investor during the Relevant Period;

- (i) none of the subsidiaries of the Company, pension fund of the Company or any of its subsidiaries and any adviser to the Company (as specified in class (2) of the definition of “associate” under the Takeovers Code and other than persons enjoying exempt principal trader status under the Takeovers Code) had any interest in the securities, options, warrants, convertible securities and derivatives of the Company and/or had dealt for value in the securities, options, warrants, convertible securities and derivatives of the Company during the period from the date of the Initial Announcement up to and including the Latest Practicable Date;
- (j) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or any associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code during the period from the date of the Initial Announcement up to and including the Latest Practicable Date;
- (k) no securities, options, warrants, convertible securities and derivatives of the Company were managed on a discretionary basis by any fund managers (other than exempt fund managers) connected with the Company, nor did any such fund manager deal for value in any securities, options, warrants, convertible securities and derivatives of the Company during the period from the date of the Initial Announcement up to and including the Latest Practicable Date;
- (l) none of the Company, Directors and any members of the Concert Group had borrowed or lent any Shares, securities, options, warrants, convertible securities and derivatives of the Company;
- (m) there was no agreement or arrangement between any of the Directors and any other person which was conditional on or dependent upon on the outcome of the Proposed Restructuring and/or the Whitewash Waiver and/or the Special Deals or otherwise in connection with the Proposed Restructuring and/or the Whitewash Waiver and/or the Special Deals;
- (n) no benefit had been given or will be given to any Directors as compensation for loss of office or otherwise in connection with the Proposed Restructuring and/or the Whitewash Waiver and/or the Special Deals;
- (o) there was no material contract entered into by the Investor in which any Director had a material personal interest; and
- (p) none of the Directors beneficially held any Shares and accordingly, none of them intended to vote for or against the resolutions to be proposed at the EGM to approve the Capital Reorganisation, the Open Offer including the Underwriting Agreement, the Subscriptions, the Whitewash Waiver, the Settlement Agreements and/or the Special Deals.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company or any of its subsidiaries or associated companies, which:

- (a) (including both continuous and fixed terms contracts) has been entered into or amended within six months prior to the date of the Initial Announcement;
- (b) is a continuous contract with a notice period of twelve months or more;
- (c) is a fixed term contract with more than twelve months to run irrespective of the notice period; or
- (d) is not expiring or determinable by the Group within one year without payment of compensation other than statutory compensation.

7. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and their respective associates was considered to have an interest in any business that competes or may compete, either directly or indirectly, with the business of the Group.

8. INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting which is significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 30 June 2015, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. LITIGATIONS**(a) High Court Action No. 1099 of 2013**

On 10 May 2013, Mr. Lee Yiu Tung, a former executive director of the Company, filed a claim with the Labour Tribunal of Hong Kong against the Company for, amongst others, unpaid wages, wages in lieu of notice and expenses paid by him on behalf of the Company of approximately HK\$1,484,000. The Company made a counterclaim against Mr. Lee Yiu Tung on 8 October 2013 in respect of wages paid to him for the months from July to October 2012 up to the amount of HK\$240,000 and reimbursement of out-of-pocket expenses paid to him during 2010 to 2012 totaling HK\$2,000,000 for business and projects not related to the Company. On 4 June 2013, the Labour Tribunal of Hong Kong made an order to transfer the case to the High Court since both parties agreed to such transfer.

At a Case Management Conference held on 16 September 2015 at the High Court, the High Court directed that the Case Management Conference be adjourned to 27 April 2016. In the meantime, the Company was ordered to provide its list of documents within eight weeks and the parties were ordered to exchange witness statements within six months. On 15 December 2015, the Company provided the list of documents to Mr. Lee Yiu Tung. The parties were required to exchange witness statement on or before 16 March 2016. On 30 March 2016, the High Court ordered, inter alia, that (i) the parties should exchange their witness statements by 4 p.m. on 11 May 2016; and (ii) the 3rd Case Management Conference be adjourned to 12 October 2016 at 10:30 a.m. Subsequently, on 11 May 2016, by consent, the parties agreed to stay the proceedings until 9 August 2016 pending settlement negotiations between the parties. For the avoidance of doubt, the 3rd Case Management Conference will be proceeded as fixed on 12 October 2016.

(b) High Court Action No. 1648 of 2015

References are made to the section headed “Background of the UC Settlement Agreement” in the Letter from the Board, the announcements of the Company dated 21 July 2015 and 26 April 2016, respectively, and the Announcement. As disclosed therein, the Company had instituted legal proceedings against U-Continent in connection with alleged misrepresentations made by U-Continent in the U-Continent Agreements. By way of a letter dated 20 July 2015, the Company had rescinded the U-Continent Agreements and on 21 July 2015 issued a writ against U-Continent under High Court Action No. 1648 of 2015 seeking, among other things, a declaration that it had validly rescinded the U-Continent Agreements and an order compelling U-Continent to return the converted Shares to the Company and claiming for loss and damages suffered by the Company as a result of the alleged misrepresentations.

On 12 April 2016, the Company entered into the UC Settlement Agreement with U-Continent. Pursuant to the terms of the UC Settlement Agreement, the Company and U-Continent shall, within seven (7) Business Days, jointly sign and file consent summons at the High Court to apply for an interim stay of the High Court Action No. 1648 of 2015 with liberty for both and/or either of the parties to restore. As the Company has not taken any steps to serve the writ on U-continent and U-Continent is not in a position to sign any consent summons for interim stay, the Company provided an undertaking by way of a letter dated 15 April 2016 that the Company would not serve the writ against U-Continent (subject to certain obligations of the Company and U-Continent set out in the UC Settlement Agreement). On 26 April 2016, U-Continent's solicitors replied saying that U-Continent is agreeable to the Company's provision of the undertaking. Pursuant to the UC Settlement Agreement, within seven (7) Business Days from the date of fulfilling the conditions precedent (i), (ii) and (v) as set out in the section headed "Conditions precedent to the UC Settlement Agreement" in the Letter from the Board whichever is later, among others, the Company shall file and serve a notice of discontinuance under the High Court Action No. 1648 of 2015. As at the Latest Practicable Date, none of the aforesaid conditions precedent has been fulfilled.

(c) Discharge application, LBTC 1470/2015, HCA 1355/2015 and HCA 1590/2015

References are made to the sections headed "Background of the CY Settlement Agreement" and "Background of the PP Settlement Agreement" in the Letter from the Board, the announcements of the Company dated 16 March 2015, 25 March 2015, 15 July 2015, 6 November 2015, 14 March 2015 and 10 May 2016, respectively, and the Announcement.

On 23 March 2015, the Receivers were served with a summons issued by Mr. Yeung seeking, amongst other, to discharge or vary the Receivership Order. At the hearing of the discharge application on 1 April 2015, the High Court directed that the hearing to be adjourned to a date to be fixed (the "Adjourned Hearing") and, in the meantime, be advertised with directions that any interested Shareholders wishing to participate could apply to intervene in the adjourned hearing. On 24 July 2015, a group of minority Shareholders issued a summons to intervene in the hearing and seeking an order that the Receivers continue in office until Resumption or further order. The Adjourned Hearing was held on 31 July 2015 to hear the discharge application and the application of the minority Shareholders issued on 24 July 2015. The decision

of the Adjourned Hearing was delivered on 28 August 2015, pursuant to which the High Court ordered that the Receivership Order to be continued until the Resumption or further order. By way of a summons dated 9 September 2015, Mr. Yeung applied to the High Court for leave to appeal the aforesaid decision of the High Court on 28 August 2015, which was subsequently disposed of by the High Court on the papers as agreed among the parties by consent. Mr. Yeung was directed to file his skeleton submissions by 12 January 2016 and the Receivers and minority Shareholders were directed to file their respective skeleton submissions by 19 January 2016.

On 11 May 2015, Mr. Pannu commenced an action against the Company in the Labour Tribunal of Hong Kong under LBTC 1470/2015 claiming approximately HK\$3.6 million (plus interest) from the Company for alleged wrongful dismissal of him as a director of the Company. The action was subsequently transferred to the High Court and designated as HCA 1355/2015, whereupon Mr. Pannu added further claims of unspecified quantum against the Company for alleged libel. By way of a consent summons filed on 20 April 2016 pending consent by the High Court, the parties have applied for a stay of proceedings under HCA 1355/2015 pending settlement negotiations. The summons was sealed by the High Court on 12 May 2016.

By a writ of summons dated 13 July 2015, the Company and BCFC commenced legal proceedings under HCA 1590/2015 against (i) Mr. Yeung claiming a total of more than HK\$100,000,000 from Mr. Yeung for various breaches of duties whilst he was a director of the Company and BCFC; and (ii) Asia Rays and Amazing Top claiming approximately HK\$3.7 million and GBP1.5 million from Asia Rays and GBP180,000 from Amazing Top for monies alleged wrongfully received from the Company and BCFC. By way of summons dated 25 September 2015, the Company and BCFC applied for leave to add Mr. Pannu as a defendant to HCA 1590/2015 claiming approximately HK\$11 million and GBP4.5 million from Mr. Pannu for various alleged breaches of duties whilst he was a director of the Company and BCFC. By way of summons dated 15 October 2015, the Company and BCFC applied to file an amended writ of summons and amended statement of claims related to HCA 1590/2015. By way of a consent summons sealed by the High Court on 15 April 2016, argument for HCA 1590/2015, which has been adjourned to 13 April 2016, has been adjourned *sine die* and proceedings against Asia Rays and Amazing Top have been stayed.

On 8 March 2016, the Company, together with BCFC, entered into the CY Settlement Agreement with Mr. Yeung and RY. Subsequent to the signing of the CY Settlement Agreement, the parties thereto have, among others, jointly signed and filed consent summonses at the High Court to apply for an interim stay of (i) HCA 1590/2015; and (ii) Mr. Yeung's pending appeal of the Receivership Order in the High Court under High Court Miscellaneous Proceedings No. 395 of 2015. Pursuant to the CY Settlement Agreement, within seven (7) Business Days from the date of fulfilling the conditions precedent (i), (ii) and (v) as set out in the section headed "Conditions precedent to the CY Settlement Agreement" in the Letter from the Board whichever is later, among others, (i) all parties concerned shall sign a consent summons for Mr. Yeung to withdraw (a) his pending appeal of the Receivership Order in the High Court; and (b) his objection to the Company's application in the Grand Court for the recognition of the Receivership Order, and for the Company to withdraw its pending application in the Grand Court for recognition of Receivership Order; and (ii) the Company and BCFC shall take steps to discontinue HCA 1590/2015 as against Mr. Yeung and any action against RY (if any). As at the Latest Practicable Date, none of the aforesaid conditions precedent has been fulfilled.

On 4 May 2016, the Company, BCFC, Mr. Pannu, Asia Rays and Amazing Top entered into the PP Settlement Agreement. Pursuant to the PP Settlement Agreement, within 14 days following fulfilment of the conditions precedent as set out in the section headed "Conditions precedent to the PP Settlement Agreement" in the Letter from the Board, (i) the Company and BCFC shall sign and file, and do all other necessary acts to cause or procure all parties named under HCA 1590/2015 to sign and file, consent summons at the High Court as soon as practicable to discontinue HCA 1590/2015 as against, Mr. Pannu if he is joined as a party and, Asia Rays and Amazing Top as soon as practicable; and (ii) Mr. Pannu shall sign and file, and do all other necessary acts to cause or procure all parties named under HCA 1355/2015 to sign and file, consent summons at the High Court to discontinue HCA 1355/2015 as soon as practicable. As at the Latest Practicable Date, none of conditions precedent to the PP Settlement Agreement has been fulfilled.

(d) High Court Miscellaneous Proceedings No. 1429 of 2016

On 30 January 2015, Mr. Hui Ho Luek, Vico (“Mr. Hui”), the former executive director of the Company, issued a statutory demand against the Company for an alleged debt in a sum of approximately HK\$5,231,000. Mr. Hui subsequently provided some documents to the Receivers in support of the alleged debt. Having reviewed the documents, the Receivers considered that Mr. Hui may not be able to prove the whole or part of the alleged debt. Nevertheless, the Receivers commenced settlement negotiations with Mr. Hui in order to explore the opportunity of settling his claim for the alleged debt amicably.

In around mid-May 2016, Mr. Hui’s solicitors threatened to issue a winding-up petition against the Company. In view of the urgency of the matter and the dire consequence the Company may have as a result of the issuance of the winding-up petition, the Company applied for an urgent injunction application against Mr. Hui from presenting the said winding-up petition. On 3 June 2016, the High Court granted the injunction order. On 10 June 2016, the High Court continued the injunction order until the determination of the Company’s application which was fixed to be heard on 8 July 2016. On 30 June 2016, the parties agreed to discontinue High Court Miscellaneous Proceedings No. 1429 of 2016 which was approved by the High Court on 4 July 2016.

Save as disclosed in the section, to the Directors’ best knowledge, the Directors are not aware of any litigation or claims of material importance pending or threatened against any member of the Group as at the Latest Practicable Date.

10. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business carried out or intended to be carried out by the Company or any of its subsidiaries) within two years before the date of the Initial Announcement and up to and including the Latest Practicable Date, which are or may be material:

- (a) a placing agreement dated 12 November 2013 entered into between the Company and a placing agent pursuant to which the placing agent would conduct, on a fully underwritten basis, placing of 1,260,000,000 Shares to not less than six places and to the extent any such Shares were not placed, to take up those Shares at the placing price of HK\$0.05 per Share;

* *for identification propose only*

- (b) the U-Continent First Agreement;
- (c) the U-Continent Second Agreement;
- (d) a deed of novation dated 20 December 2013 entered into among the Company, BCFC and Mr. Yeung pursuant to which, among others, Mr. Yeung agreed to and accepted the liabilities of BCFC under a debt owed by BCFC to Mr. Yeung of not more than HK\$193,500,000 as at the date of completion of the agreement between Mr. Yeung and the Company wherein Mr. Yeung agrees to subscribe for not more than HK\$193,500,000 worth of convertible bonds to be issued by the Company being assumed by the Company;
- (e) the Debt Capitalisation Agreement;
- (f) the Yeung Agreement;
- (g) a binding memorandum of understanding (the “MOU”) dated 12 February 2014 between the Company and 北京良渚國際傳媒廣告有限公司 (Beijing Liangzhu International Media Advertising Co., Ltd.*) pursuant to which the Company agreed to sell and Beijing Liangzhu International Media Advertising Co., Ltd.* agreed to purchase 12% interest of the then entire issued share capital of BCP for HK\$45,000,000;
- (h) a memorandum of understanding dated 19 February 2014 entered into between Round Soar Global Limited, a wholly owned subsidiary of the Company, as purchaser, and Mr. Kenny Tse and Mr. Tse Sun Ming as vendors, pursuant to which the Group has conditionally agreed to acquire and Mr. Kenny Tse and Mr. Tse Sun Ming have conditionally agreed to sell the entire equity interests in Ultramax Enterprises Limited for HK\$52,000,000;
- (i) a convertible bonds subscription agreement dated 31 July 2014 entered into between the Company as issuer and Deluxe Crystal Limited as subscriber pursuant to which Deluxe Crystal Limited had conditionally agreed to subscribe for the convertible bonds of the Company in the principal amount of HK\$120,000,000 at its face value, which has automatically lapsed on 31 October 2014 due to the failure of fulfilment of certain conditions precedent before the underlying long stop date;
- (j) a loan agreement dated 27 May 2015 entered into between the Company and the Investor pursuant to which the Investor had agreed to grant the Company an unsecured facility in the principal amount of up to HK\$13,500,000 at 8% per annum which formed part of the Loans;

- (k) a loan agreement dated 11 June 2015 entered into between the Company and the Investor pursuant to which the Investor had agreed to grant the Company an unsecured facility in the principal amount of HK\$10,000,000 at 8% per annum which formed part of the Loans;
- (l) an exclusivity agreement dated 19 June 2015 entered into among the Company, the Receivers and the Investor pursuant to which an exclusivity period of 24 months (or such other period as may be agreed by the parties in writing) from the date thereof or the execution of a formal subscription/sale and purchase agreement in respect of the subscription and/or purchase of shares in the Company and/or BCP by the Investor (or such other period as may be agreed by the parties in writing) was granted to the Investor to consider and ascertain its investment in relation to the subscription and/or purchase of shares in the Company and/or BCP;
- (m) the Loan Facility Agreement;
- (n) the CY Settlement Agreement;
- (o) the UC Settlement Agreement;
- (p) the PP Settlement Agreement;
- (q) the Amendment Letter;
- (r) the Share Subscription Agreement;
- (s) the New CN Subscription Agreement;
- (t) a supplemental deed to the Share Subscription Agreement dated 8 June 2016 entered into between the Company and the Investor;
- (u) a supplemental deed to the New CN Subscription Agreement dated 8 June 2016 entered into between the Company and the Investor; and
- (v) the Underwriting Agreement.

11. EXPERTS' QUALIFICATIONS AND CONSENTS

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

Name	Qualification
ZHONGHUI ANDA CPA Limited	Certified Public Accountants
TC Capital International Limited	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Each of the experts above has given and has not withdrawn its consent to the issue of this circular with the inclusion of its report or letter, as the case may be, and reference to its name in the form and context in which they respectively appear. As at the Latest Practicable Date, each of the experts above was not beneficially interested in the share capital of any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Group nor did they have any interest, either direct or indirect, in any assets which had been since 30 June 2015, being 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 Group or were proposed to be acquired or disposed of by or leased to any member of the Group.

12. MISCELLANEOUS

- (i) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (ii) The head office and principal place of business of the Company in Hong Kong is located at Room 1200, 12/F, Wing On Centre, 111 Connaught Road Central, Sheung Wan, Hong Kong.
- (iii) The directors of the Investor are Mr. Suen and Mr. Sue Ka Lok.
- (iv) The director of Wealthy Associates International Limited, being the ultimate parent company of the Investor, is Mr. Suen.
- (v) The registered office of the Investor is located at OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.
- (vi) The correspondence address of the Investor is Suite 1502, 15/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

- (vii) The Investor is wholly owned by Wealthy Associates International Limited which in turn is wholly owned by Mr. Suen. The correspondence address of Mr. Suen is c/o Suite 1502, 15/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.
- (viii) The Receivers are Messrs. Stephen Liu Yiu Keung, David Yen Ching Wai and Koo Chi Sum all of Ernst & Young Transactions Limited of 62/F, One Island East, 18 Westlands Road, Island East, Hong Kong.
- (ix) The financial adviser to the Company is Goldin Financial Limited of Room 2202-09, 22/F, Two International Financial Centre, 8 Finance Street, Central, Hong Kong.
- (x) The Independent Financial Adviser is TC Capital International Limited of Suite 1903-4, 19/F, Tower 6, The Gateway, Harbour City, 9 Canton Road, Kowloon, Hong Kong.
- (xi) The auditor of the Company is ZHONGHUI ANDA CPA Limited of Unit 701-3 & 8, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong.
- (xii) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (xiii) The agent appointed for the matching services for the odd lots of the New Shares is Kingston Securities Limited of Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (xiv) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. on any Business Day at the head office and principal place of business of the Company in Hong Kong at Room 1200, 12/F, Wing On Centre, 111 Connaught Road Central, Sheung Wan, Hong Kong, and will be displayed on the website of Company at <http://www.irasia.com/listco/hk/birminghamint/index.htm> and the website of the SFC at <http://www.sfc.hk>, from the date of this circular up to and including the date of the EGM:

- (a) memorandum and articles of association of the Company;
- (b) memorandum and articles of association of the Investor;

- (c) the Letter from the Board, the text of which is set out on pages 20 to 88 of this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 89 to 90 of this circular;
- (e) the letter from the Independent Financial Adviser, the text of which is set out on pages 91 to 138 of this circular;
- (f) the annual reports of the Company for the two years ended 30 June 2014 and 30 June 2015 and the interim report of the Company for the six months ended 31 December 2015;
- (g) the special audit report prepared by ZHONGHUI ANDA CPA Limited in relation to the consolidated financial statements of the Group for the year ended 30 June 2014;
- (h) the report from ZHONGHUI ANDA CPA Limited on the unaudited pro forma consolidated statement of financial position of the Group, the text of which is set out on pages II-7 to II-10 of this circular;
- (i) the report from ZHONGHUI ANDA CPA Limited on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, the text of which is set out on pages II-16 to II-19 of this circular;
- (j) the letters in relation to the results forecast of the Company for the year ending 30 June 2017 and the six months ending 31 December 2017 issued by ZHONGHUI ANDA CPA Limited and TC Capital International Limited, the text of which is set out on pages III-8 to III-12 of this circular;
- (k) the material contracts referred to in the paragraph headed “Material contracts” in this Appendix, the text of which is set out on pages IV-15 to IV-17 of this circular;
- (l) the written consent referred to in the paragraph headed “Experts’ qualifications and consents” in this Appendix, the text of which is set out on page IV-18 of this circular; and
- (m) this circular.

NOTICE OF EGM



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

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the members of Birmingham International Holdings Limited (Receivers Appointed) (the “**Company**”) will be held at 11:00 a.m. on 29 August 2016 at Taichi Room, Unit 3810, 38/F China Resources Building, 26 Harbour Road, Wanchai, Hong Kong (“**EGM**”) to consider and, if thought fit, pass the following resolution:—

SPECIAL RESOLUTION

1. “AS SPECIAL RESOLUTION, **THAT** subject to the fulfilment of all the conditions set out in the section headed “Conditions of the Capital Reorganisation” in the circular of the Company dated 5 August (the “**Circular**”), a copy of which has been tabled at the meeting marked “A” and initialled by the chairman of the meeting for the purpose of identification, with effect on a date to be determined by the board of directors of the Company, such date being after the registration of the Grand Court of the Cayman Islands order and the minute containing particulars required under the Companies Law (2013 Revision) of the Cayman Islands (“**Effective Date**”):
 - (a) every twenty (20) issued and unissued ordinary shares with a nominal value of HK\$0.01 each (each a “**Share**”) in the share capital of the Company be consolidated into one (1) share with a nominal value of HK\$0.20 (each a “**Consolidated Share**”), such Consolidated Share(s) to rank pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of the shares contained in the memorandum and articles of association of the Company) (the “**Share Consolidation**”);

NOTICE OF EGM

- (b) upon the Share Consolidation becoming effective, the issued and paid up share capital of the Company be reduced by cancelling paid up capital in the amount of HK\$0.19 on each issued Consolidated Share of the Company on the Effective Date (the “**Capital Reduction**”), so that following such reduction, each issued Consolidated Share with a nominal value of HK\$0.20 each in the share capital of the Company shall be treated as one fully paid up share with a par value of HK\$0.01 each in the share capital of the Company (each a “**New Share**” and “**New Shares**” shall be construed accordingly);
- (c) the entire amount standing to the credit of the share premium account of the Company of approximately HK\$1,272,710,000 be cancelled (“**Share Premium Cancellation**”);
- (d) upon the Capital Reduction and Share Premium Cancellation becoming effective, the credits arising from the Capital Reduction and the Share Premium Cancellation be applied to set-off the accumulated losses of the Company of approximately HK\$1,608,834,000 as at 30 June 2015 with the balance (if any) to be transferred to a distributable reserve account of the Company which may be utilised as a distributable reserve in accordance with the articles of association of the Company and all applicable laws;
- (e) upon the Capital Reduction and Share Premium Cancellation becoming effective, all the existing authorised but unissued Shares in the capital of the Company be cancelled in their entirety (“**Authorised Share Capital Cancellation**”);
- (f) immediately following the Authorised Share Capital Cancellation becoming effective, the authorised share capital of the Company be increased from HK\$4,840,543.36 divided into 484,054,336 New Shares of HK\$0.01 each to HK\$500,000,000.00 divided into 50,000,000,000 New Shares of HK\$0.01 each (“**Authorised Share Capital Increase**”);
- (g) all of the New Shares resulting from the Capital Reduction and the Authorised Share Capital Increase shall rank pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of the shares contained in the memorandum and articles of association of the Company;

NOTICE OF EGM

- (h) any fractional New Shares shall be disregarded and not be issued to shareholders of the Company but all such fractional New Shares will be aggregated and, if possible, sold and the proceeds retained for the benefit of the Company; and
- (i) any one director of the Company be and is hereby authorised generally to do all things and signs all documents as he/she may consider appropriate and desirable to effect and implement the matters approved by this Resolution and to issue new share certificates in respect of the New Shares to holders of the existing shares of the Company pursuant to the Share Consolidation and the Capital Reduction.”

To consider and if thought fit, pass with or without amendments, the following resolution:—

ORDINARY RESOLUTION

2. “AS ORDINARY RESOLUTION, **THAT**

- (I) subject to the fulfilment of the conditions in the underwriting agreement dated 1 August 2016 entered into between Kingston Securities Limited and the Company (the “**Underwriting Agreement**”), (a copy of which has been tabled at the meeting marked “B” and initialled by the chairman of the meeting for the purpose of identification):
 - (a) the allotment and issue by way of open offer (the “**Open Offer**”) of 242,027,168 shares of HK\$0.01 each in the capital of the Company (the “**Offer Share(s)**”) on the basis of one offer share for every two New Shares (as such term is defined in resolution number 1 in the notice convening this meeting) (upon the Capital Reorganisation (as such term is defined in the Circular) becoming effective) held by the qualifying shareholders on the record date at the subscription price of HK\$0.08 per Offer Share on the terms and conditions set out in the Circular be and is hereby approved, confirmed and ratified;
 - (b) the Underwriting Agreement and all transactions contemplated thereunder, in accordance with the terms of the Underwriting Agreement, be and is hereby approved, confirmed and ratified;

NOTICE OF EGM

- (c) any one director of the Company be and is hereby authorised on behalf of the Company to take all steps necessary, appropriate, desirable or expedient in his/her opinion to be in the interests of the Company and its shareholders as a whole to approve and implement and/or give effect to the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder, including, inter alia, (i) to exercise the powers of the Company to allot and issue the Offer Shares, such shares to rank pari passu in all respects with each other and with the shares of the Company in issue on the date of allotment and issue, and to have the rights and privileges and be subject to the restrictions in respect of the shares contained in the memorandum and articles of association of the Company; (ii) to sign, seal, execute, perfect, deliver, submit and/or implement the Underwriting Agreement and any documents, instruments, deeds and agreements in connection with or pursuant to the Underwriting Agreement; (iii) to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the Underwriting Agreement); and (iv) to exercise all such powers and do all such necessary acts and things to give effect to and/or implement the Open Offer, the Underwriting Agreement and the transactions contemplated under the Underwriting Agreement, PROVIDED THAT such further documents or agreements will be of administrative nature and ancillary to the implementation of the Underwriting Agreement;
- (II) (a) the subscription agreement dated 6 June 2016 entered into between the Company and Trillion Trophy Asia Limited (the “**Investor**”) (the “**Subscription Agreement**”) (as amended by a supplemental deed dated 8 June 2016) (a copy of which has been tabled at the meeting marked “C” and initialled by the chairman of the meeting for the purpose of identification), pursuant to which the Investor conditionally agreed to subscribe for 3,125,000,000 New Shares (as such term is defined in resolution number 1 in the notice convening this meeting) (the “**Subscription Shares**”) at the subscription price of HK\$0.08 per share (“**Share Subscription**”) and all transactions contemplated thereunder, in accordance with the terms and conditions of the Subscription Agreement, in each case be and are hereby approved, confirmed and ratified;

NOTICE OF EGM

- (b) any one director of the Company be and is hereby authorised on behalf of the Company to take all steps necessary, appropriate, desirable or expedient in his/her opinion to be in the interests of the Company and its shareholders as a whole to approve and implement and/or give effect to the Subscription Agreement and the transactions contemplated thereunder, including, inter alia, (i) to exercise the powers of the Company to allot and issue the Subscription Shares, such shares to rank pari passu in all respects with each other and with the shares of the Company in issue on the date of allotment and issue, and to have the rights and privileges and be subject to the restrictions in respect of the shares contained in the memorandum and articles of association of the Company; (ii) to sign, seal, execute, perfect, deliver, submit and/or implement the Subscription Agreement and any documents, instruments, deeds and agreements in connection with or pursuant to the Subscription Agreement; (iii) to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the Subscription Agreement); and (iv) to exercise all such powers and do all such necessary acts and things to give effect to and/or implement the transactions contemplated under the Subscription Agreement PROVIDED THAT such further documents or agreements will be of administrative nature and ancillary to the implementation of the Subscription Agreement;
- (III) (a) the convertible note subscription agreement dated 6 June 2016 entered into between the Company and the Investor (the “**CN Subscription Agreement**”) (as amended by a supplemental deed dated 8 June 2016) (copy of which has been tabled at the meeting marked “D” and initialled by the chairman of the meeting for the purpose of identification), pursuant to which the Investor conditionally agreed to subscribe for convertibles notes (“**New Convertible Notes**”) to be issued by the Company in the aggregate principal amount of HK\$150,000,000, which entitle note holders to convert into up to 1,875,000,000 New Shares (as such term is defined in resolution numbered 1 in the notice convening this meeting) (the “**Conversion Share(s)**”) each at the initial conversion price of HK\$0.08 per Conversion Share (subject to adjustment in accordance with the CN Subscription Agreement) and all transactions contemplated thereunder, in accordance with the terms and conditions of the CN Subscription Agreement, in each case be and are hereby approved, confirmed and ratified;

NOTICE OF EGM

- (b) any one director of the Company be and is hereby authorised on behalf of the Company to take all steps necessary, appropriate, desirable or expedient in his/her opinion to be in the interests of the Company and its shareholders as a whole to approve and implement and/or give effect to the CN Subscription Agreement and the transactions contemplated thereunder, including, inter alia, (i) to exercise the powers of the Company to issue the New Convertible Notes and to allot and issue the Conversion Shares upon exercise of the conversion rights attached to the New Convertible Notes, such shares to rank pari passu in all respects with each other and with the shares of the Company in issue on the date of allotment and issue, and to have the rights and privileges and be subject to the restrictions in respect of the shares contained in the memorandum and articles of association of the Company; (ii) to sign, seal, execute, perfect, deliver, submit and/or implement the CN Subscription Agreement and any documents, instruments, deeds and agreements in connection with or pursuant to the CN Subscription Agreement; (iii) to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the CN Subscription Agreement); and (iv) to exercise all such powers and do all such necessary acts and things to give effect to and/or implement the transactions contemplated under the CN Subscription Agreement PROVIDED THAT such further documents or agreements will be of administrative nature and ancillary to the implementation of the CN Subscription Agreement;
- (IV) subject to the Executive Director of the Corporate Finance Division of the Securities and Futures Commission (“**Executive**”) granting consent pursuant to Rule 25 of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”) (either conditionally or subject to such conditions as may be required by the Executive), all the transactions contemplated under (i) the deed of settlement dated 12 April 2016 entered into between the Company and U-Continent Holdings Limited (copy of which has been tabled at the meeting marked “E” and initialled by the chairman of the meeting for the purpose of identification); (ii) the deed of settlement dated 8 March 2016 entered into between the Company, Birmingham City Football Club PLC, Mr. Yeung Ka Sing, Carson and Mr. Ryan Yeung (copy of which has been tabled at the meeting marked “F” and initialled by the chairman of the meeting for the purpose of identification); (iii) the deed of settlement dated 4 May 2016 entered into between the Company, Birmingham City Football Club PLC, Mr.

NOTICE OF EGM

Peter Pannu, Asia Rays Limited and Amazing Top International Enterprise Limited (copy of which has been tabled at the meeting marked “G” and initialled by the chairman of the meeting for the purpose of identification) ; and (iv) the undertaking dated 14 April 2016 given by the Investor pursuant to which the Investor will pay the debt owed by the Company to Mr. Yeung Ka Sing, Carson in the amount of HK\$9,028,399.06 for the Company (copy of which has been tabled at the meeting marked “H” and initialled by the chairman of the meeting for the purpose of identification), all of which constitute special deals under Rule 25 of the Takeovers Code be and are hereby approved, confirmed and ratified and any director of the Company be and is hereby authorised to execute such other documents, do all other acts and things and take such action as may in the opinion of such director be necessary, desirable or expedient to implement and give effect to the matters contemplated hereunder; and

- (V) subject to the Executive granting a waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligations on the Investor and parties acting in concert with it to make a mandatory general offer under Rule 26 of the Takeovers Code for all the issued shares of the Company (not already owned or agreed to be acquired by the Investor and parties acting in concert with it) as a result of the completion of Capital Reorganisation, the Open Offer and the Share Subscription (“**Whitewash Waiver**”), the Whitewash Waiver be and is hereby approved and any one director of the Company be and is hereby authorised to do all acts and things and execute such documents (including the affixation of the common seal of the Company where execution under seal is required) and take all steps which, in his/her opinion deem necessary, desirable or expedient to carry out or to give effect to any matters relating to or in connection with the Whitewash Waiver.”

For and on behalf of
Birmingham International Holdings Limited
(Receivers Appointed)
Liu Yiu Keung Stephen
Executive Director and Chairman

Hong Kong, 5 August 2016

NOTICE OF EGM

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:*

Room 1200, 12th Floor
Wing On Centre
111 Connaught Road Central
Sheung Wan, Hong Kong

Notes:

- (1) A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or, if he is the holder of more than one share, more proxies to attend and vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be delivered to the Company's branch share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power of authority, not less than 48 hours before the time for holding the meeting or any adjourned meeting.
- (2) In the case of joint holders of share(s) in the Company, any one of such joint holder may vote, either in person or by proxy, in respect of such share(s) as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holders, seniority being determined by the order in which names stand in the register of members of the Company.
- (3) Completion and return of the form of proxy will not preclude members from attending and voting in person at the extraordinary general meeting or any adjournment and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (4) As at the date of this notice, the board of directors comprises Mr. Liu Yiu Keung Stephen, Mr. Yen Ching Wai David and Ms. Koo Chi Sum, all being executive directors, and Mr. Cheung Yuk Ming, Mr. Law Pui Cheung, and Mr. Lai Hin Wing Henry Stephen, all being independent non-executive directors.
- (5) Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions set out in this notice will be decided by poll at the above meeting.