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BIRMINGHAM SPORTS HOLDINGS LIMITED

伯明翰體育控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2309)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

The Board of Directors (the “Board” or the “Directors”) of Birmingham Sports Holdings Limited (the “Company”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 31 December 2017 together with the comparative figures as follow:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2017

| | <i>Notes</i> | Six months ended 31 December | |
|--|--------------|-------------------------------------|--------------------|
| | | 2017 | 2016 |
| | | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Revenue | 3 | 112,138 | 94,533 |
| Operating expenses | | (262,245) | (147,248) |
| Loss from operations | | (150,107) | (52,715) |
| Other income | 4 | 5,151 | 20,168 |
| Profit on sales of players' registration | | 12,318 | 29 |
| Amortisation of intangible assets | | (32,457) | (7,883) |
| Administrative and other expenses | | (19,074) | (16,334) |
| Finance costs | 5 | (8,183) | (6,435) |
| Share of loss of a joint venture | | (89) | – |

| | | Six months ended 31 December | |
|--|--------------|-------------------------------------|--------------------|
| | | 2017 | 2016 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Loss before taxation | 6 | (192,441) | (63,170) |
| Income tax credit | 7 | 136 | 130 |
| | | <hr/> | <hr/> |
| Loss for the period | | (192,305) | (63,040) |
| Other comprehensive expense | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences arising on translation of financial statements of overseas subsidiaries | | 10,723 | (21,895) |
| | | <hr/> | <hr/> |
| Total comprehensive expense for the period | | (181,582) | (84,935) |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Loss for the period attributable to: | | | |
| Owners of the Company | | (186,588) | (61,382) |
| Non-controlling interests | | (5,717) | (1,658) |
| | | <hr/> | <hr/> |
| | | (192,305) | (63,040) |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Total comprehensive expense for the period attributable to: | | | |
| Owners of the Company | | (176,213) | (83,198) |
| Non-controlling interests | | (5,369) | (1,737) |
| | | <hr/> | <hr/> |
| | | (181,582) | (84,935) |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Loss per share attributable to owners of the Company | | | |
| – Basic (<i>HK cents</i>) | 9 | (2.78) | (2.37) |
| | | <hr/> | <hr/> |
| – Diluted (<i>HK cents</i>) | 9 | (2.78) | (2.37) |
| | | <hr/> | <hr/> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

| | | As at 31 December 2017 | As at 30 June 2017 |
|--|--------------|---------------------------------------|-------------------------------------|
| | <i>Notes</i> | HK\$'000 (Unaudited) | <i>HK\$'000</i> <i>(Audited)</i> |
| Non-current assets | | | |
| Property, plant and equipment | | 205,449 | 199,007 |
| Intangible assets | | 237,661 | 141,589 |
| Deposit paid for investment properties | 10 | 393,908 | – |
| Interest in a joint venture | | 1,165 | – |
| Deposits, prepayments and other receivables | | 28,045 | 2,570 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 866,228 | 343,166 |
| | | <hr/> | <hr/> |
| Current assets | | | |
| Inventories | | 3,672 | 5,307 |
| Trade receivables | 11 | 8,090 | 5,203 |
| Deposits, prepayments and other receivables | | 68,924 | 40,835 |
| Bank balances and cash | | 49,814 | 131,188 |
| | | <hr/> | <hr/> |
| Total current assets | | 130,500 | 182,533 |
| | | <hr/> | <hr/> |
| Current liabilities | | | |
| Transfer fee payables | | 81,911 | 34,476 |
| Trade payables | 12 | 17,744 | 14,347 |
| Accruals and other payables | | 71,003 | 48,645 |
| Deferred capital grants | | 598 | 579 |
| Deferred income | | 24,251 | 27,016 |
| Borrowings | 13 | 52,178 | 39,135 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 247,685 | 164,198 |
| | | <hr/> | <hr/> |
| Net current (liabilities)/assets | | (117,185) | 18,335 |
| | | <hr/> | <hr/> |
| Total assets less current liabilities | | 749,043 | 361,501 |
| | | <hr/> | <hr/> |

| | | As at 31 December 2017 HK\$'000 (Unaudited) | As at 30 June 2017 HK\$'000 (Audited) |
|--|----|--|--|
| Non-current liabilities | | | |
| Transfer fee payables | | 26,263 | 18,895 |
| Accruals and other payables | | 7,417 | 9,871 |
| Deferred capital grants | | 15,653 | 15,421 |
| Borrowings | 13 | 4,730 | 188 |
| Deferred tax liabilities | | 21,608 | 21,020 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 75,671 | 65,395 |
| | | <hr/> | <hr/> |
| NET ASSETS | | 673,372 | 296,106 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Capital and reserves | | | |
| Share capital | 14 | 95,940 | 62,932 |
| Reserves | | 587,469 | 237,842 |
| | | <hr/> | <hr/> |
| Equity attributable to owners of the Company | | 683,409 | 300,774 |
| Non-controlling interests | | (10,037) | (4,668) |
| | | <hr/> | <hr/> |
| TOTAL EQUITY | | 673,372 | 296,106 |
| | | <hr/> <hr/> | <hr/> <hr/> |

NOTES:

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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 functional currency of the Company is Hong Kong dollars (“HK\$”). The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars for the convenience of users of the unaudited condensed consolidated interim financial statements as the Company is listed in Hong Kong.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair values.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 30 June 2017. The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 31 December 2017 are the same as those followed in the preparation of the Group’s audited consolidated financial statements for the year ended 30 June 2017.

In preparing the unaudited condensed consolidated interim financial statements, the significant judgments made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that were applied in preparing the audited consolidated financial statements for the year ended 30 June 2017.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period. The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts and/or disclosures reported in these unaudited condensed consolidated interim financial statements.

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

In preparing the unaudited condensed consolidated interim financial statements, the Directors have given careful consideration to the future liquidity and financial positions of the Group in light of the fact that the Group incurred a loss for the period attributable to owners of the Company of approximately HK\$186,588,000 during the six months ended 31 December 2017, and that the Group had net current liabilities of approximately HK\$117,185,000 as at 31 December 2017.

In order to mitigate the liquidity issues and to improve the financial position of the Group, the Directors have continuously exercised cost control and monitored administrative and other expenses of the Group. In addition, the Group has implemented loan and equity fund raisings during the period under review from the following parties:

- (i) A revolving loan facility from Trillion Trophy Asia Limited (“Trillion Trophy”), the controlling shareholder of the Company, on 21 December 2016 provides up to HK\$250,000,000 to the Group for a term to 31 December 2018 (“Trillion Trophy Facility”);
- (ii) A standby loan facility from Dragon Villa Limited (“Dragon Villa”), a substantial shareholder of the Company as mentioned in (iv) below and at the date of this announcement, on 2 August 2017 provides up to HK\$100,000,000 to the Group for a term to 31 July 2018 (“Dragon Villa Facility”);
- (iii) A standby loan facility from Chigwell Holdings Limited (“Chigwell”), a substantial shareholder of the Company as mentioned in (v) below and at the date of this announcement, on 10 October 2017 provides up to HK\$150,000,000 to the Group for a term to 31 December 2018 (“Chigwell Facility”);
- (iv) On 14 December 2017, the Company and Dragon Villa entered into a subscription agreement (the “Dragon Villa Subscription Agreement”) whereby the Company conditionally agreed to issue 714,286,000 new shares at the subscription price of HK\$0.14 per share to Dragon Villa or its nominee. The consideration for the issue of such 714,286,000 shares was set off against the outstanding principal amount of the Dragon Villa Facility. As at the date of entering into the Dragon Villa Subscription Agreement, the Dragon Villa Facility was fully utilised and the outstanding principal amount was HK\$100,000,000. The shares subscribed under the Dragon Villa Subscription Agreement were allotted and issued on 28 December 2017 and Dragon Villa has become a substantial shareholder of the Company since then;
- (v) On 14 December 2017, the Company and Chigwell entered into a subscription agreement (the “Chigwell Subscription Agreement”) whereby the Company conditionally agreed to issue 500,000,000 new shares at the subscription price of HK\$0.14 per share to Chigwell or its nominee. The consideration for the issue of such 500,000,000 shares was set off against the outstanding principal amount of the Chigwell Facility. As at the date of entering into the Chigwell Subscription Agreement, the outstanding principal amount of the Chigwell Facility was HK\$70,000,000. The shares subscribed under the Chigwell Subscription Agreement were allotted and issued on 28 December 2017 and Chigwell has become a substantial shareholder of the Company since then; and
- (vi) As at 31 December 2017, a total of HK\$22,000,000 had been drawn from the Trillion Trophy Facility, the Dragon Villa Facility was fully drawn and HK\$70,000,000 had been drawn from the Chigwell Facility.

The Directors consider that, after taking into consideration of the above measures, the Group will have sufficient funds to satisfy its future working capital requirement and other financial obligations as and when they fall due in the foreseeable future. Accordingly, the unaudited condensed consolidated interim financial statements have been prepared on a going concern basis.

Should the Group be unable to operate as a going concern, adjustments may have to be made to write down the value of all assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effect of these potential adjustments has not been reflected in the unaudited condensed consolidated interim financial statements.

3. REVENUE AND SEGMENT INFORMATION

The following is an analysis of the Group's revenue by operating segments, based on the information provided to the Group's senior management for the purposes of allocating resources to segments and assessing their performance. This is also the basis upon which the Group is arranged and organised.

The Group's reportable and operating segments under HKFRS 8 are as follows:

- (i) operation of a professional football club in the United Kingdom of Great Britain and Northern Ireland (the "UK"); and
- (ii) investment in properties.

The Group's revenue and contribution to profit were mainly derived from the operation of a professional football club in the UK. During the reporting period, the investment properties of the Group were under development and no revenue nor any contribution were derived from this segment. Accordingly, no segment analysis of the Group's revenue is presented other than entity-wide disclosures.

Entity-wide disclosures

Information about the nature of revenue

| | Six months ended 31 December | |
|--------------------|-------------------------------------|-------------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Broadcasting | 44,321 | 40,316 |
| Commercial income | 39,444 | 31,661 |
| Match day receipts | 28,373 | 22,556 |
| | 112,138 | 94,533 |

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.

Geographical information

The following is an analysis of geographical location of the Group's (i) revenue from external customers and (ii) non-current assets presented based on the location of operations and geographical location of assets respectively.

| | Revenue from | | Non-current assets | |
|---|--------------------|-----------------|--------------------|----------------|
| | external customers | | | |
| | Six months ended | | As at | As at |
| | 31 December | | 31 December | 30 June |
| 2017 | 2016 | 2017 | 2017 | |
| <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | |
| (Unaudited) | (Unaudited) | (Unaudited) | (Audited) | |
| Hong Kong | – | – | 35 | 43 |
| The People's Republic of China | – | – | 1,842 | 715 |
| The Kingdom of Cambodia ("Cambodia") | – | – | 393,908 | – |
| The UK | 112,138 | 94,533 | 470,443 | 342,408 |
| | 112,138 | 94,533 | 866,228 | 343,166 |

4. OTHER INCOME

| | Six months ended 31 December | |
|--|------------------------------|-----------------|
| | 2017 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Subsidies received from the Premier League (<i>Note</i>) | 3,987 | 3,075 |
| Compensation from player transfer | – | 5,019 |
| Gain on disposals of property, plant and equipment | 29 | – |
| Gain on settlement with a former director | – | 2,198 |
| Interest income | 842 | 351 |
| Reversal of provision for directors' fee | – | 714 |
| Reversal of excess provision for donation | – | 5,620 |
| Sundry income | 293 | 3,191 |
| | 5,151 | 20,168 |

Note: During the six months ended 31 December 2017, the Group's professional football operation received funding of approximately HK\$3,987,000 (six months ended 31 December 2016: approximately HK\$3,075,000) from the Premier League in the UK under the Elite Player Performance Plan upon fulfillment of certain terms and conditions.

5. FINANCE COSTS

| | Six months ended 31 December | |
|--|------------------------------|--------------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Interest expenses on: | | |
| – Other borrowings | 2,997 | 4,756 |
| – Notional interest on transfer fee payables | 5,183 | 683 |
| – Finance leases | 3 | 14 |
| – Effective interest on convertible notes | – | 982 |
| | <u>8,183</u> | <u>6,435</u> |

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging the following items:

| | Six months ended 31 December | |
|---|------------------------------|-------------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Amortisation of intangible assets | 32,457 | 7,883 |
| Depreciation of property, plant and equipment | 5,344 | 4,241 |
| Minimum lease payments under operating lease in respect of:- | | |
| – Properties | 3,751 | 727 |
| – Others | 739 | 1,052 |
| Staff costs (including directors' remuneration) | 210,651 | 99,377 |

7. INCOME TAX CREDIT

| | Six months ended 31 December | |
|-----------------------------|------------------------------|-------------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Deferred taxation – the UK: | | |
| Current period | 136 | 130 |

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising from Hong Kong during the six months ended 31 December 2017 and 2016.

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"). No provision has been made in respect of Corporation Tax as these subsidiaries did not derive any assessable profits for the six months ended 31 December 2017 and 2016.

8. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 31 December 2017 (six months ended 31 December 2016: nil).

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic loss per share

The calculation of basic loss per share is based on the loss for the six months ended 31 December 2017 attributable to owners of the Company of approximately HK\$186,588,000 (six months ended 31 December 2016: approximately HK\$61,382,000) and the weighted average number of 6,716,450,482 (six months ended 31 December 2016: 2,588,202,711) ordinary shares in issue during the period.

Diluted loss per share

Diluted loss per share for the six months ended 31 December 2017 was the same as the basic loss per share as there was no potential dilutive ordinary share in issue during the period.

Diluted loss per share for the six months ended 31 December 2016 was the same as the basic loss per share because the impact of the convertible notes outstanding had an anti-dilutive effect.

10. DEPOSIT PAID FOR INVESTMENT PROPERTIES

The Group entered into the properties sale and purchase agreement and the equity sale and purchase agreement on 30 June 2017 respectively with Graticity Real Estate Development Co., Ltd. (“GRED”) and its subsidiary (collectively, the “GRED Group”) and the construction contract with GRED at the completion of the equity sale and purchase agreement (collectively, the “Acquisitions”) to invest in certain commercial and residential properties at an aggregate consideration of US\$40,241,100. The consideration of the Acquisitions was satisfied by the issuance of 2,086,551,000 ordinary shares of the Company (the “Share(s)”). The Acquisitions constitute a share-based payment under HKFRS 2 “*Share-Based Payments*” which require the fair value of the goods and services received to be measured at the date the entity obtains the goods or the counterparty renders the services. The Acquisitions were completed on 27 November 2017 and the fair value of the properties, on completion basis and including the fair value of the future lease payment, was US\$50,600,000 (equivalent to approximately HK\$393,668,000). The construction of the properties is expected to be completed on or before 31 August 2018. Details of the Acquisitions and their completion were disclosed respectively in the circular of the Company dated 31 October 2017 (the “Acquisitions Circular”) and the announcement of the Company dated 27 November 2017 (the “Acquisitions Announcement”).

11. TRADE RECEIVABLES

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

| | As at 31 December 2017 HK\$'000 (Unaudited) | As at 30 June 2017 HK\$'000 (Audited) |
|----------------------|--|--|
| Within 30 days | 1,545 | 1,913 |
| 31 days to 90 days | 2,774 | 1,281 |
| 91 days to 180 days | 2,489 | 1,418 |
| 181 days to 365 days | 1,282 | 591 |
| | <u>8,090</u> | <u>5,203</u> |

The average credit period of the Group's trade receivables is 90 days (30 June 2017: 90 days).

12. TRADE PAYABLES

The aging analysis of trade payables based on the invoice date is as follows:

| | As at 31 December 2017 HK\$'000 (Unaudited) | As at 30 June 2017 HK\$'000 (Audited) |
|----------------------|--|--|
| Within 30 days | 9,279 | 6,786 |
| 31 days to 90 days | 5,141 | 6,968 |
| 91 days to 180 days | 2,364 | 436 |
| 181 days to 365 days | 960 | 157 |
| | <u>17,744</u> | <u>14,347</u> |

The Group normally receives credit periods from suppliers averaging at 90 days (30 June 2017: 90 days).

13. BORROWINGS

On 26 June 2015, the Company entered into a loan facility agreement (the “2015 Loan Facility”) with Trillion Trophy. Pursuant to the 2015 Loan Facility and as supplemented by amendment letters dated 31 May 2016 and 18 May 2017, Trillion Trophy provided a term loan facility of up to HK\$212,813,600 to the Company which bears interest at the rate of 3% per annum and maturing by 25 June 2018. As at 31 December 2017, the outstanding principal amount and interest payable to Trillion Trophy under the 2015 Loan Facility were approximately HK\$30,085,000 and approximately HK\$13,677,000 respectively.

On 21 December 2016, the Company and Trillion Trophy entered into the Trillion Trophy Facility pursuant to which Trillion Trophy provided a revolving loan facility of up to HK\$250,000,000 to the Company. The Trillion Trophy Facility is unsecured, for a term up to 31 December 2018 and bears interest at the rate of 4.5% per annum. As at 31 December 2017, a total of HK\$22,000,000 had been drawn from the Trillion Trophy Facility. Interest payable under the Trillion Trophy Facility as at 31 December 2017 was approximately HK\$393,000. As at 31 December 2017, the amount of the borrowings from and interest payable to Trillion Trophy under the 2015 Loan Facility and Trillion Trophy Facility were in aggregate approximately HK\$52,085,000 (30 June 2017: approximately HK\$39,114,000) and approximately HK\$14,070,000 (30 June 2017: approximately HK\$13,153,000) respectively.

On 2 August 2017, the Company and Dragon Villa entered into the Dragon Villa Facility pursuant to which Dragon Villa provided a term loan facility of up to HK\$100,000,000 to the Company. The Dragon Villa Facility is unsecured, for a term up to 31 July 2018 and bears interest at the rate of 4.5% per annum. On 14 December 2017, the Company and Dragon Villa entered into the Dragon Villa Subscription Agreement whereby the Company conditionally agreed to issue 714,286,000 new shares at the subscription price of HK\$0.14 per share to Dragon Villa or its nominee. The consideration for the issue of such 714,286,000 shares was set off against the outstanding principal amount of the Dragon Villa Facility. As at the date of entering into the Dragon Villa Subscription Agreement, the Dragon Villa Facility was fully utilised and the outstanding principal amount was HK\$100,000,000. The shares subscribed under the Dragon Villa Subscription Agreement were allotted and issued on 28 December 2017. As at 31 December 2017, the interest payable under Dragon Villa Facility was approximately HK\$1,492,000.

On 10 October 2017, the Company and Chigwell entered into the Chigwell Facility pursuant to which Chigwell provided a term loan facility of up to HK\$150,000,000 to the Company. The Chigwell Facility is unsecured, for a term up to 31 December 2018 and bears interest at the rate of 6.5% per annum. On 14 December 2017, the Company and Chigwell entered into the Chigwell Subscription Agreement whereby the Company conditionally agreed to issue 500,000,000 new shares at the subscription price of HK\$0.14 per share to Chigwell or its nominee. The consideration for the issue of such 500,000,000 shares was set off against the outstanding principal amount of the Chigwell Facility. As at the date of entering into the Chigwell Subscription Agreement, the outstanding principal amount of the Chigwell Facility was HK\$70,000,000. The shares subscribed under the Chigwell Subscription Agreement were allotted and issued on 28 December 2017. As at 31 December 2017, the interest payable under Chigwell Facility was approximately HK\$588,000.

On 30 June 2017, Celestial Fame Investment (Cambodia) Co., Ltd. (“Celestial Fame Cambodia”), a subsidiary of the Group since the Group completed the Acquisitions on 27 November 2017, entered into the long-term lease agreement with GRED to lease the right of use of a parcel of land (the

“Land”) at Phnom Penh, Cambodia, pursuant to which Celestial Fame Cambodia shall pay GRED in total of US\$3,000,000 (equivalent to approximately HK\$23,340,000) by 50 equal instalments in cash each year commencing from the date of completion of the Acquisitions. The fair value of the lease payable was approximately US\$595,000 (equivalent to approximately HK\$4,629,000) on initial recognition which was measured by computing the present value of estimated future cash flows at the effective interest rate of 10% per annum and was recognised as borrowings of the Group as at the date of completion of the Acquisitions.

As at 31 December 2017, the total carrying amount of the borrowings of the Group was approximately HK\$56,908,000 (30 June 2017: approximately HK\$39,323,000).

14. SHARE CAPITAL

| | <i>Notes</i> | Number of shares | Amount HK\$'000 |
|---|--------------|-----------------------------|----------------------------|
| Ordinary shares of HK\$0.01 each | | | |
| Authorised: | | | |
| At 1 July 2016 (audited) | | 50,000,000,000 | 500,000 |
| Share consolidation | <i>(i)</i> | (47,500,000,000) | – |
| Capital reduction | <i>(i)</i> | – | (475,000) |
| Authorised share capital cancellation | <i>(i)</i> | (2,015,945,664) | (20,159) |
| Authorised share capital increase | <i>(i)</i> | 49,515,945,664 | 495,159 |
| At 30 June 2017 (audited) and 31 December 2017 (unaudited) | | <u>50,000,000,000</u> | <u>500,000</u> |
| Issued and fully paid: | | | |
| At 1 July 2016 (audited) | | 9,681,086,733 | 96,811 |
| Capital reorganisation | <i>(i)</i> | (9,197,032,397) | (91,970) |
| | | 484,054,336 | 4,841 |
| Issue of shares upon share subscription | <i>(i)</i> | 3,125,000,000 | 31,250 |
| Issue of shares upon open offer | <i>(i)</i> | 242,027,168 | 2,420 |
| Issue of shares upon conversion of convertible notes | <i>(i)</i> | 2,442,073,168 | 24,421 |
| At 30 June 2017 (audited) | | 6,293,154,672 | 62,932 |
| Issue of consideration shares | <i>(ii)</i> | 2,086,551,000 | 20,865 |
| Issue of shares upon share subscriptions | <i>(iii)</i> | 1,214,286,000 | 12,143 |
| At 31 December 2017 (unaudited) | | <u>9,593,991,672</u> | <u>95,940</u> |

Notes:

- (i) Details of the movement in authorised share capital and issued share capital of the Company were disclosed in the 2017 annual report of the Group dated 29 September 2017.

(ii) Consideration shares

The Group entered into the properties sale and purchase agreement and the equity sale and purchase agreement on 30 June 2017 with the GRED Group and the construction contract with GRED at the completion of the equity sale and purchase agreement to invest in certain commercial and residential properties at an aggregate consideration of US\$40,241,100 which was satisfied by the issuance of 2,086,551,000 Shares. The completion of the Acquisitions took place on 27 November 2017 whereby 2,086,551,000 Shares with an aggregate fair value of approximately HK\$389,039,000 were allotted and issued to Ever Depot Limited, a subsidiary of GRED. The share capital of the Company was increased by approximately HK\$20,865,000 and an amount of approximately HK\$368,166,000, net of share issue expenses of approximately HK\$8,000, was credited to the share premium account of the Company. Details of the Acquisitions and their completion were disclosed respectively in the Acquisitions Circular and the Acquisitions Announcement.

(iii) Share subscriptions

On 14 December 2017, the Company entered into the Dragon Villa Subscription Agreement and Chigwell Subscription Agreement with Dragon Villa and Chigwell respectively, pursuant to which the Company conditionally agreed to issue 714,286,000 new shares to Dragon Villa and 500,000,000 new shares to Chigwell, or their respective nominee, at the subscription price of HK\$0.14 per share to set off against the outstanding principal amount due to the respective parties in aggregate of HK\$170,000,000. The completion of the subscription took place on 28 December 2017 and an aggregate of 1,214,286,000 Shares were allotted and issued. Accordingly, the Company's issued share capital was increased by approximately HK\$12,143,000 and an amount of approximately HK\$157,674,000, net of share issue expenses of approximately HK\$183,000, was credited to the share premium account of the Company. Details of the subscriptions and their completion were disclosed in the announcements of the Company dated 14 December 2017, 22 December 2017 and 28 December 2017 respectively.

(iv) All Shares issued during the period rank *pari passu* with the then existing Shares in all respects.

15. CONTINGENT LIABILITIES

As at 31 December 2017, the Group had the following contingent liabilities:

(a) Player transfer costs

Under the terms of certain contracts with other football clubs in respect of 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 31 December 2017 was approximately HK\$69,701,000 (30 June 2017: approximately HK\$98,818,000).

(b) Litigation: High Court Action No. 1099 of 2013

On 9 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, among others, unpaid wages, wages in lieu of notice and expenses allegedly paid by him on behalf of the Company for a sum of approximately HK\$1,484,000. The Company made a counterclaim against Mr. Lee on 8 October 2013 in respect of, among others, wages paid to him in the aggregate sum of HK\$240,000 for the months from July to October 2012 and reimbursement of out-of-pocket expenses paid by the Company to him during 2010 to 2012 totaling approximately 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 of Hong Kong (the “High Court”).

At the case management conference on 27 September 2017, the High Court ordered that (i) Mr. Lee shall take out application to amend the statement of claim by 18 October 2017, if so advised; and (ii) any interlocutory application by the parties shall be taken out by 3 January 2018. Mr. Lee had filed and served an amended writ of summons with amended statement of claim on 8 November 2017. The Company has until 9 March 2018 to file its amended defence and counterclaim. The next case management conference is scheduled to be held on 8 March 2018.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 December 2017 (six months ended 31 December 2016: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Performance and Results

For the six months ended 31 December 2017, the revenue of the Group was approximately HK\$112.1 million, representing an increase of 18.6% over the same period last year. The loss attributable to owners of the Company during the period under review was approximately HK\$186.6 million, as compared with approximately HK\$61.4 million for the same period last year. The basic loss per share was approximately HK2.78 cents.

Business Review and Prospect

The principal activity of the Group is the operation of Birmingham City Football Club (“BCFC” or the “Club”) in the UK. Revenue streams of the Group comprised (i) match day receipts which consisted of season and match day tickets, (ii) broadcasting revenue, including distributions from the Football Association Premier League and English Football League broadcasting agreements, cup competitions and revenue from the media, and (iii) commercial income which comprised sponsorship income, corporate hospitality, merchandising, conferences and events and other sundry income.

Following a finish at the 19th position for the 2016/17 season, the Club continues to play in the highly competitive Championship Division this season. During the period under review, more high-standard players were signed to strengthen every key position of the team. New managers were also engaged with an aim to bring up the full potential of the players and to enhance the overall competitiveness of the team. After refining the team’s tactics and strategies, synergies were created during the period and improvement was noted in the teamwork among the players, yet the performance of the Club during the play needs to be further elevated. As at the date of this announcement, the Club is standing at the 22nd position. The management is keen to further improve the performance of the Club in the remaining matches and to secure a better position this season.

The Birmingham City Football Academy has continued to operate at Category 2 status under the Elite Player Performance Plan. A number of academy trained players continued to participate in the first team squad.

On 30 June 2017, the Group entered into agreements to acquire the right of use of the Land at Phnom Penh, Cambodia and to develop a building for commercial and educational use on the Land, and to acquire certain properties comprise residential apartments and commercial podium nearby the Land (collectively, the “Properties”). The investment in the Properties represents a good opportunity to secure a stable stream of income for the Group. Moreover, the long-term appreciation in value of the Properties can bring further values to the Company and its shareholders in future as a whole. The acquisition of the Properties was approved by the shareholders of the Company (the “Shareholder(s)”) on 17 November 2017 and completion of the transactions took place on 27 November 2017. The construction of the Properties is expected to be completed on or before 31 August 2018.

It has been the Group’s strategy to diversify its business and to broaden the revenue streams of the Group so as to create substantial value to the Shareholders. Throughout the reporting period, in parallel to promoting our football operation, the management had been actively seeking different business opportunities for the Group. Looking forward, the management will continue to explore potential business opportunities and identify sustainable projects in order to broaden the business scope and scale of the Company. In the meanwhile, the management will take a cautious approach towards development in different markets and industries and to take prompt and appropriate actions as and when appropriate opportunities are identified.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the period ended 31 December 2017 was approximately HK\$112.1 million (six months ended 31 December 2016: approximately HK\$94.5 million), representing an increase of approximately 18.6% over the same period last year. The increase was primarily contributed by the growth in match day receipts and commercial income.

Operating Expenses

Operating expenses incurred during the period were approximately HK\$262.2 million, representing an increase of 78.1% over that of the previous period. The increase was mainly due to higher staff costs incurred by the Club, in particular the wages of players and coaching team as a result of the introduction of more players to strengthen the squad.

Other Income

Other income during the period was approximately HK\$5.2 million, representing a decrease of nearly 74.5% from approximately HK\$20.2 million for the same period last year. The decrease was primarily due to the income from reversal of excess provision for donation and compensation from player transfer booked in the same period last year were not recurred during the period under review.

Profit on Sales of Players' Registration

Profit on sales of players' registration was approximately HK\$12.3 million (six months ended 31 December 2016: approximately HK\$29,000). The increase was mainly because more players were sold during the period under review.

Amortisation of Intangible Assets

Amortisation of intangible assets during the period under review was approximately HK\$32.5 million, representing an increase of 3.1 times over that of the previous period. The increase was primarily due to the additional players' registration incurred during the period as more players were signed.

Administrative and Other Expenses

Administrative and other expenses increased by approximately 16.8% to approximately HK\$19.1 million for the six months ended 31 December 2017. The increase was mainly due to higher operating expenses were incurred after the resumption of trading of the Company shares since October 2016. The management will continue to adopt stringent measures on control and management so as to maintain the administrative and other expenses at a reasonable level.

Finance Costs

During the period under review, the Group incurred finance costs of approximately HK\$8.2 million, representing an increase of 27.2% over the same period last year. The increase was mainly due to the increase in notional interest on transfer fee payables.

Contingent Liabilities

Other than disclosed in note 15 above, the Group did not have any material contingent liabilities as at 31 December 2017.

Capital Expenditure and Commitments

During the period, the Group incurred capital expenditure of approximately HK\$5.0 million, the majority of which were for the purchase of property, plant and equipment in the UK.

At 31 December 2017, the Group had no significant capital commitment (30 June 2017: nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Gearing Ratio

As at 31 December 2017, the Group's current ratio (as defined by current assets divided by current liabilities) was 53% (30 June 2017: 111%) and the gearing ratio (as defined by total borrowings divided by equity plus total borrowings) was 8% (30 June 2017: 12%). The ratio of total liabilities to total assets of the Group was 32% (30 June 2017: 44%).

Financial Resources

The Group generally finances its operations with internally generated cash flows, loans from substantial Shareholders and from independent third parties, and through the capital market available to listed companies in Hong Kong. As at 31 December 2017, the Group's bank balances and cash were approximately HK\$49.8 million (30 June 2017: approximately HK\$131.2 million), which were principally denominated in Hong Kong dollars, Pounds Sterling and Renminbi. As at 31 December 2017, the Group's short-term borrowings amounted to approximately HK\$52.2 million, all of which were repayable within one year.

The management endeavours to enhance the Group's financial strengths so as to pave the way for future business development. Cost control measures have already been in place to monitor the day-to-day operational and administrative expenses. The management closely reviews the Group's financial resources in a cautious manner and continues to explore opportunities in external financing and equity funding. The Company will take proactive actions to improve the liquidity and financial position of the Group by way of equity fund raising exercises. The Company will closely monitor the market situation and take prompt actions when such opportunities arise.

The Company also explores measures to improve its overall financial position. In particular, the Company had from time to time negotiated with the major lenders of the Group for possible conversion of substantial portion of the outstanding loan to equity. The Company believes that such conversion can improve the overall gearing of the Group and strengthen the equity base of the Company which is beneficial to the Company, the Shareholders and other stakeholders of the Company as a whole.

On 21 December 2016, the Company entered into the Trillion Trophy Facility with Trillion Trophy in respect of the provision of a revolving loan facility up to HK\$250,000,000 up to 31 December 2018 or the date on which facility is cancelled or terminated pursuant to the terms of the Trillion Trophy Facility (or such other date as agreed between the Company and Trillion Trophy). As at 31 December 2017, a total of HK\$22,000,000 had been drawn from the Trillion Trophy Facility.

On 2 August 2017, the Company and Dragon Villa entered into the Dragon Villa Facility, pursuant to which Dragon Villa provided a term loan facility of up to HK\$100,000,000 to the Company. The Dragon Villa Facility is unsecured, for a term up to 31 July 2018 and bears interest at the rate of 4.5% per annum. On 14 December 2017, the Company and Dragon Villa entered into the Dragon Villa Subscription Agreement whereby the Company conditionally agreed to issue 714,286,000 new shares at the subscription price of HK\$0.14 per share to Dragon Villa. The consideration for the issue of such 714,286,000 shares was set off against the outstanding principal amount of the Dragon Villa Facility. As at the date of entering into the Dragon Villa Subscription Agreement, the Dragon Villa Facility was fully utilised and the outstanding principal amount was HK\$100,000,000. The shares subscribed under the Dragon Villa Subscription Agreement were allotted and issued on 28 December 2017.

On 10 October 2017, the Company and Chigwell entered into the Chigwell Facility, pursuant to which Chigwell provided a term loan facility of up to HK\$150,000,000 to the Company. The Chigwell Facility is unsecured, for a term up to 31 December 2018 and bears interest at the rate of 6.5% per annum. On 14 December 2017, the Company and Chigwell entered into the Chigwell Subscription Agreement whereby the Company conditionally agreed to issue 500,000,000 new shares at the subscription price of HK\$0.14 per share to Chigwell. The consideration for the issue of such 500,000,000 shares was set off against the outstanding principal amount of the Chigwell Facility. As at the date of entering into the Chigwell Subscription Agreement, the outstanding principal amount of the Chigwell Facility was HK\$70,000,000. The shares subscribed under the Chigwell Subscription Agreement were allotted and issued on 28 December 2017.

Foreign Exchange Exposure

The Group's exposure to foreign currency risk mainly relates to the Group's operation in the UK and most of which transactions, assets and liabilities are denominated in Pounds Sterling. The Group does not use derivative financial instruments to hedge its foreign currency risks. The management will continue to monitor its foreign exchange exposure and take appropriate measures if needed.

Pledge of Assets

Certain bank credit facilities made available to BCFC were secured by a fixed charge over a specific bank deposit account of BCFC held with the bank. As at 31 December 2017, the balance on this bank deposit account was GBP800,000 (equivalent to approximately HK\$8,404,000) (30 June 2017: GBP800,000 which was equivalent to approximately HK\$8,124,000).

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

Capital Structure

On 27 November 2017, pursuant to the Acquisitions and under the specific mandate granted by the Shareholders at the extraordinary general meeting of the Company on 17 November 2017, the Company allotted and issued in aggregate 2,086,551,000 shares at HK\$0.15 per share to satisfy the consideration payable for the Acquisitions at a fair value in aggregate of approximately HK\$389,039,000.

On 28 December 2017, pursuant to the Dragon Villa Subscription Agreement and Chigwell Subscription Agreement and under the general mandate granted by the Shareholders at the annual general meeting of the Company on 30 December 2016, the Company allotted and issued in aggregate 1,214,286,000 shares at HK\$0.14 per share to offset against the outstanding principal amount of the Dragon Villa Facility and the Chigwell Facility which as at the date of the Dragon Villa Subscription Agreement and Chigwell Subscription Agreement amounted to approximately HK\$170,000,000 in aggregate.

As at 31 December 2017, the Company had 9,593,991,672 shares of HK\$0.01 each in issue (30 June 2017: 6,293,154,672 shares).

HUMAN RESOURCES

As at 31 December 2017, the Group employed approximately 280 full-time employees and approximately 500 temporary staff members for its principal activities (31 December 2016: approximately 198 full-time employees and approximately 530 temporary staff members). The Group remunerated its employees mainly based on industry practice and individual's performance and experience. Apart from the basic remuneration, discretionary bonus may be granted to eligible employees with reference to the Group's performance as well as individual's performance.

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 31 December 2017, except for the following deviation with reason as explained:

Code Provision E.1.2

Under Code Provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. Zhao Wenqing, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 29 December 2017 (the "AGM") due to other business commitment. However, Ms. Chan Yuk Yee, an Executive Director, had taken the chair of the AGM in accordance with Article 63 of the Articles of Association of the Company. Ms. Chan was of sufficient calibre and knowledge for communication with the Shareholders at the AGM.

Save as the deviation mentioned above, the Company complied with the provisions of the CG Code during the six months ended 31 December 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry with the Directors, all of them confirmed that they had complied with the required standard set out in the Model Code during the six months ended 31 December 2017.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) comprises three Independent Non-executive Directors, namely Mr. To Yan Ming, Edmond, Mr. Pun Chi Ping and Ms. Leung Pik Har, Christine. Mr. To Yan Ming, Edmond is the chairman of the Audit Committee. The condensed consolidated interim financial statements of the Company for the six months ended 31 December 2017 have not been audited, but have been reviewed by the Audit Committee and have been duly approved by the Board under the recommendation of the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the six months ended 31 December 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of the Company at *www.bshl.com.hk* and the Stock Exchange website at *www.hkexnews.hk*. The interim report of the Company will be published on the website of the Company and the Stock Exchange website and will be despatched to the Shareholders in due course.

By Order of the Board
Birmingham Sports Holdings Limited
Zhao Wenqing
Chairman

Hong Kong, 28 February 2018

As at the date of this announcement, the Board comprises nine Directors, namely Mr. Zhao Wenqing (Chairman), Mr. Huang Dongfeng (Chief Executive Officer), Ms. Chan Yuk Yee, Mr. Yiu Chun Kong and Mr. Hsiao Charng Geng as Executive Directors; Mr. Sue Ka Lok as Non-executive Director; and Mr. To Yan Ming, Edmond, Mr. Pun Chi Ping and Ms. Leung Pik Har, Christine as Independent Non-executive Directors.