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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 2018

The Board of Directors (the “Board”) of Birmingham Sports Holdings Limited (the “Company”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 31 December 2018 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2018

		Six months ended 31 December	
		2018	2017
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	116,420	112,138
Operating expenses		(217,848)	(262,245)
Loss from operations		(101,428)	(150,107)
Other income	6	4,204	5,151
Profit on sales of players' registration		3,330	12,318
Amortisation of intangible assets		(37,346)	(32,457)
Administrative and other expenses		(25,019)	(19,074)
Share-based payments expense	8	(3,017)	–
Finance costs	7	(13,952)	(8,183)
Share of loss of a joint venture		(46)	(89)

		Six months ended 31 December	
		2018	2017
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Loss before taxation	8	(173,274)	(192,441)
Income tax credit	9	<u>129</u>	<u>136</u>
Loss for the period		(173,145)	(192,305)
Other comprehensive (expense) income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of overseas subsidiaries		<u>(11,077)</u>	<u>10,723</u>
Total comprehensive expense for the period		<u>(184,222)</u>	<u>(181,582)</u>
Loss for the period attributable to:			
Owners of the Company		(168,942)	(186,588)
Non-controlling interests		<u>(4,203)</u>	<u>(5,717)</u>
		<u>(173,145)</u>	<u>(192,305)</u>
Total comprehensive expense for the period attributable to:			
Owners of the Company		(179,621)	(176,213)
Non-controlling interests		<u>(4,601)</u>	<u>(5,369)</u>
		<u>(184,222)</u>	<u>(181,582)</u>
Loss per share attributable to owners of the Company			
– Basic (<i>HK cents</i>)	11	<u>(1.53)</u>	<u>(2.78)</u>
– Diluted (<i>HK cents</i>)	11	<u>(1.53)</u>	<u>(2.78)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

		As at 31 December 2018	As at 30 June 2018
	<i>Notes</i>	HK\$'000 (Unaudited)	<i>HK\$'000</i> <i>(Audited)</i>
Non-current assets			
Property, plant and equipment		197,759	211,007
Intangible assets		178,599	197,024
Investment properties		529,860	393,908
Interest in a joint venture		987	1,073
		<hr/>	<hr/>
Total non-current assets		907,205	803,012
Current assets			
Inventories		3,571	6,469
Trade receivables	12	21,611	19,167
Deposits, prepayments and other receivables		46,453	51,946
Bank balances and cash		70,401	69,221
		<hr/>	<hr/>
Total current assets		142,036	146,803
Current liabilities			
Transfer fee payables		33,931	60,626
Trade payables	13	18,073	13,507
Accruals and other payables	16	107,471	48,604
Deferred capital grants		566	585
Deferred income		16,349	24,969
Borrowings	14	4	66,201
		<hr/>	<hr/>
Total current liabilities		176,394	214,492
Net current liabilities		(34,358)	(67,689)
		<hr/>	<hr/>
Total assets less current liabilities		872,847	735,323
		<hr/>	<hr/>

		As at 31 December 2018 HK\$'000 (Unaudited)	As at 30 June 2018 HK\$'000 (Audited)
Non-current liabilities			
Transfer fee payables		–	25,650
Accruals and other payables		–	7,883
Deferred capital grants		14,238	14,996
Borrowings	14	367,013	99,814
Deferred tax liabilities		20,177	20,970
		<hr/>	<hr/>
Total non-current liabilities		401,428	169,313
		<hr/>	<hr/>
NET ASSETS		471,419	566,010
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Share capital	15	118,067	109,741
Reserves		375,178	473,494
		<hr/>	<hr/>
Equity attributable to owners of the Company		493,245	583,235
Non-controlling interests		(21,826)	(17,225)
		<hr/>	<hr/>
TOTAL EQUITY		471,419	566,010
		<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, as modified by revaluation of investment properties, which are carried at their fair values. They are presented in HK\$ and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 30 June 2018. The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 31 December 2018 are the same as those followed in the preparation of the Group’s audited consolidated financial statements for the year ended 30 June 2018 except as stated below:

(a) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following category:

(i) *Financial assets at amortised cost*

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(b) Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument (“lifetime expected credit losses”) for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

(c) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance;
- the Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

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 2018.

The Group incurred a loss attributable to owners of the Company of HK\$168,942,000 for the six months ended 31 December 2018 and as at 31 December 2018 the Group had net current liabilities of HK\$34,358,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The unaudited condensed consolidated interim financial statements have been prepared on a going concern basis. The directors of the Company (the “Directors”) 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 entered into a loan facility agreement and a supplemental facility agreement with Trillion Trophy Asia Limited (“Trillion Trophy”) on 21 December 2016 and 21 December 2018 respectively, under which an unsecured revolving loan facility up to a maximum amount of HK\$250,000,000 has been granted to the Company (collectively the “Trillion Trophy Facility”). Moreover, the Company has unsecured loan facilities with aggregate amount of HK\$400,000,000 from third party lenders.

As at 31 December 2018, the total carrying amount of the borrowings under the above facilities of the Group was approximately HK\$362,197,000. As at 31 December 2018, the Group had available approximately HK\$287,803,000 of undrawn borrowing facilities.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the unaudited condensed consolidated interim financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's 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.

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

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 July 2018. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; 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 period 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. REVENUE

An analysis of the Group's revenue for the period is as follows:

	Six months ended 31 December	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>		
Commercial income	24,032	23,808
Match day receipts	10,798	12,092
	34,830	35,900
<i>Recognised over time</i>		
Commercial income	7,904	6,106
Broadcasting	47,949	44,321
Match day receipts	16,038	16,281
	71,891	66,708
	106,721	102,608
Revenue from other sources:		
Commercial income	9,035	9,530
Rental income	664	–
	9,699	9,530
	116,420	112,138

Revenue represents amount receivable for goods sold and services provided to external customers in the normal course of business and rental income from investment properties, after deducting discounts and exclude value added tax or other sales related taxes.

5. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segments, based on the information provided to the chief operating decision maker representing the Board, 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 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.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Football club <i>HK\$'000</i> (Unaudited)	Investment in properties <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Six months ended 31 December 2018			
Segment revenue			
External sales	<u>115,756</u>	<u>664</u>	<u>116,420</u>
Results			
Segment results	<u>(135,374)</u>	<u>430</u>	<u>(134,944)</u>
Other income			25
Corporate expenses			(25,019)
Share-based payments expense			(3,017)
Finance costs			(10,273)
Share of loss of a joint venture			<u>(46)</u>
Loss before taxation			(173,274)
Income tax credit			<u>129</u>
Loss for the period			<u><u>(173,145)</u></u>

	Football club <i>HK\$'000</i> (Unaudited)	Investment in properties <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Six months ended 31 December 2017			
Segment revenue			
External sales	112,138	–	112,138
	<u>112,138</u>	<u>–</u>	<u>112,138</u>
Results			
Segment results	(170,774)	–	(170,774)
	<u>(170,774)</u>	<u>–</u>	
Other income			493
Corporate expenses			(19,074)
Finance costs			(2,997)
Share of loss of a joint venture			<u>(89)</u>
Loss before taxation			(192,441)
Income tax credit			<u>136</u>
Loss for the period			<u><u>(192,305)</u></u>

Segment results represents the profit or loss incurred by each segment without allocation of certain other income, corporate expenses, share-based payments expense, finance costs and income tax credit.

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.

(i) *Revenue from external customers*

	Six months ended 31 December	
	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)
The Kingdom of Cambodia ("Cambodia")		
Revenue from other sources	<u>664</u>	<u>–</u>
	<u>664</u>	<u>–</u>
The UK		
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>	34,830	35,900
<i>Recognised over time</i>	71,891	66,708
Revenue from other sources	<u>9,035</u>	<u>9,530</u>
	<u>115,756</u>	<u>112,138</u>
	<u><u>116,420</u></u>	<u><u>112,138</u></u>

(ii) *Non-current assets*

	As at 31 December 2018 <i>HK\$'000</i> (Unaudited)	As at 30 June 2018 <i>HK\$'000</i> (Audited)
Hong Kong	12,006	14,887
The People's Republic of China (the "PRC")	1,365	1,604
Cambodia	529,860	393,908
The UK	363,974	392,613
	<u>907,205</u>	<u>803,012</u>

6. **OTHER INCOME**

	Six months ended 31 December	
	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)
Subsidies received from the Premier League (<i>Note</i>)	3,552	3,987
Gain on disposals of property, plant and equipment	–	29
Interest income	352	842
Sundry income	300	293
	<u>4,204</u>	<u>5,151</u>

Note: During the six months ended 31 December 2018, the Group's professional football operation received funding of approximately HK\$3,552,000 (six months ended 31 December 2017: approximately HK\$3,987,000) from the Premier League in the UK under the Elite Player Performance Plan upon fulfillment of certain terms and conditions.

7. **FINANCE COSTS**

	Six months ended 31 December	
	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)
Interest expenses on:		
– Other borrowings	10,273	2,997
– Notional interest on transfer fee payables	3,445	5,183
– Finance leases	234	3
	<u>13,952</u>	<u>8,183</u>

8. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging the following items:

	Six months ended 31 December	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	37,346	32,457
Depreciation of property, plant and equipment	8,275	5,344
Share-based payments expense (<i>Note 17</i>)	3,017	–
Minimum lease payments under operating lease in respect of:		
– Properties	3,413	3,751
– Others	1,285	739
Staff costs (including directors' remuneration)	162,143	210,651

9. INCOME TAX CREDIT

	Six months ended 31 December	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Deferred taxation – the UK:		
Current period	129	136

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 2018 and 2017.

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 2018 and 2017.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. No provision for profits tax is made in other jurisdictions as the subsidiaries operating in other jurisdictions have no assessable profits for the six months ended 31 December 2018 and 2017.

10. DIVIDEND

No dividend was paid or proposed for the six months ended 31 December 2018 (six months ended 31 December 2017: nil), nor has any dividend been proposed since the end of the reporting periods.

11. 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 2018 attributable to owners of the Company of approximately HK\$168,942,000 (six months ended 31 December 2017: approximately HK\$186,588,000) and the weighted average number of 11,060,047,705 (six months ended 31 December 2017: 6,716,450,482) ordinary shares in issue during the period.

Diluted loss per share

For the six months ended 31 December 2018, the computation of diluted loss per share does not assume the exercise of share options as they would decrease the loss per share attributable to the owners of the Company and have anti-dilutive effect.

For the six months ended 31 December 2017, the computation of diluted loss per share was the same as the basic loss per share as there was no potential dilutive ordinary share in issue during the period.

12. TRADE RECEIVABLES

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

	As at 31 December 2018 HK\$'000 (Unaudited)	As at 30 June 2018 HK\$'000 (Audited)
Within 30 days	6,187	6,430
31 days to 90 days	1,620	9,333
91 days to 180 days	3,259	880
181 days to 365 days	10,545	2,524
	<hr/> 21,611 <hr/>	<hr/> 19,167 <hr/>

The average credit period of the Group's trade receivables is 90 days (30 June 2018: 90 days).

13. TRADE PAYABLES

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

	As at 31 December 2018 HK\$'000 (Unaudited)	As at 30 June 2018 HK\$'000 (Audited)
Within 30 days	3,125	8,905
31 days to 90 days	8,676	2,758
91 days to 180 days	4,467	748
181 days to 365 days	1,805	1,096
	<hr/> 18,073 <hr/>	<hr/> 13,507 <hr/>

The Group normally receives credit periods from suppliers averaging at 90 days (30 June 2018: 90 days).

14. BORROWINGS

- (i) On 21 December 2016 and 21 December 2018, the Company entered into a revolving loan facility and a supplemental facility agreement respectively, with Trillion Trophy to provide a revolving loan facility up to a maximum of HK\$250,000,000 to the Company. The Trillion Trophy Facility is unsecured, for a term up to 31 December 2020 and bears interest at the rate of 4.5% per annum. As at 31 December 2018, the amount of the borrowings from and interest payable to Trillion Trophy were approximately HK\$66,197,000 (30 June 2018: approximately HK\$66,197,000) and approximately HK\$2,413,000 (30 June 2018: approximately HK\$911,000) respectively.
- (ii) On 8 May 2018, the Company and an external lender entered into a standby loan facility, pursuant to which such lender provided a term loan facility up to HK\$150,000,000 to the Company (the "201805 Facility"). The 201805 Facility is unsecured, for a term up to 30 June 2020 and bears interest at the rate of 8% per annum. As at 31 December 2018, the amount of the outstanding principal amount and interest payable under the 201805 Facility were approximately HK\$146,000,000 (30 June 2018: approximately HK\$95,000,000) and approximately HK\$6,211,000 (30 June 2018: approximately HK\$519,000) respectively.
- (iii) On 10 August 2018, the Company and an external lender entered into a standby loan facility, pursuant to which such lender provided a term loan facility up to HK\$250,000,000 to the Company (the "201808 Facility"). The 201808 Facility is unsecured, for a term up to 31 December 2020 and bears interest at the rate of 8% per annum. As at 31 December 2018, the amount of the outstanding principal amount and interest payable under the 201808 Facility were approximately HK\$150,000,000 and approximately HK\$3,079,000 respectively.

- (iv) On 30 June 2017, Celestial Fame Investment (Cambodia) Co., Ltd. (“Celestial Fame Cambodia”), a wholly-owned subsidiary of the Group, entered into a long-term lease agreement with Graticity Real Estate Development Co., Ltd. (“GRED”) to lease the right of use of a parcel of 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 commencing from the date of completion of the acquisitions in November 2017. 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 in November 2017. As at 31 December 2018, the amount of the outstanding principal amount and interest payable under the long-term lease agreement were approximately HK\$4,636,000 (equivalent to approximately US\$594,000) and approximately HK\$44,000 respectively.
- (v) As at 31 December 2018, the total carrying amount of the borrowings of the Group was approximately HK\$367,017,000 (30 June 2018: approximately HK\$166,015,000). As at 31 December 2018, the Group had available undrawn borrowing facility of approximately HK\$287,803,000 (30 June 2018: approximately HK\$238,803,000).

15. SHARE CAPITAL

	<i>Notes</i>	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each			
Authorised:			
At 1 July 2017 (audited), 1 July 2018 (audited) and 31 December 2018 (unaudited)		<u>50,000,000,000</u>	<u>500,000</u>
Issued and fully paid:			
At 1 July 2017 (audited)		6,293,154,672	62,932
Issue of consideration shares	<i>(i)</i>	2,086,551,000	20,865
Issue of shares upon share subscriptions	<i>(i)</i>	<u>2,594,366,000</u>	<u>25,944</u>
At 1 July 2018 (audited)		10,974,071,672	109,741
Issue of consideration shares	<i>(ii)</i>	<u>832,610,000</u>	<u>8,326</u>
At 31 December 2018 (unaudited)		<u>11,806,681,672</u>	<u>118,067</u>

Notes:

- (i) Details of the movement in issued share capital of the Company were disclosed in the 2018 annual report of the Group dated 28 September 2018.

(ii) **Consideration shares**

The Group acquired certain properties located in Cambodia through entering into a long term lease agreement on 28 August 2018 with the GRED at a consideration of approximately US\$16,304,000, which was satisfied as to approximately US\$10,108,000 by the allotment and issue of 832,610,000 shares of the Company at the issue price of HK\$0.0947 per share and as to approximately US\$6,196,000 by cash payable no later than seven (7) business days in Cambodia following the delivery date of the properties. The completion of the long term lease agreement took place on 13 December 2018 whereby 832,610,000 shares of the Company with an aggregate fair value of approximately HK\$86,614,000 were allotted and issued to Ever Depot Limited (“Ever Depot”), a subsidiary of GRED. The share capital of the Company was increased by approximately HK\$8,326,000 and an amount of approximately HK\$78,288,000 was credited to the share premium account of the Company. Details of the transaction and its completion were disclosed in the circular of the Company dated 20 November 2018 and the announcement of the Company dated 13 December 2018 respectively.

(iii) All ordinary shares issued by the Company during the six months ended 31 December 2018 and the year ended 30 June 2018 rank *pari passu* with the then existing ordinary shares in all respects.

16. ACCRUALS AND OTHER PAYABLES

		As at 31 December 2018 HK\$'000 (Unaudited)	As at 30 June 2018 HK\$'000 (Audited)
	<i>Notes</i>		
Accruals	<i>(i)</i>	48,943	41,885
Agent's fee payables		10,202	14,602
Amount due to GRED	<i>(ii)</i>	48,326	–
		107,471	56,487
Less : Amount due after one year		–	(7,883)
Amount shown in current liabilities		107,471	48,604

Notes:

- (i) Included in accruals are amount of approximately HK\$434,000 (30 June 2018: approximately HK\$434,000) relating to accrued directors' remuneration.
- (ii) Amount due to GRED represented the consideration payable on the acquisition of properties located in Cambodia. Details of the transaction were disclosed in note 15 above.
- (iii) Accruals and other payables are all non-interest bearing.

17. SHARE OPTION SCHEME

The existing share option scheme of the Company (the “Share Option Scheme”) was adopted by the Company at the annual general meeting of the Company held on 30 December 2016.

On 6 December 2018, the Company granted share options to eligible persons to subscribe for a total of 300,000,000 ordinary shares of the Company under the Share Option Scheme. The exercise price of the share options granted was HK\$0.1084 per share and the share options granted were exercisable in three tranches. The first tranche amounted to one third of the share options granted can be exercised beginning on the date of grant and exercisable within a period of 5 years thereafter. The second tranche amounted to one third of the share options granted shall be vested on the first anniversary of the date of grant and exercisable within the period of 4 years after being vested. The remaining tranche amounted to one third of the share options granted shall be vested on the second anniversary of the date of grant and exercisable within the period of 3 years after being vested.

Details of the movements in the number of share options during the six months ended 31 December 2018 under the Share Option Scheme are as follows:

Name or category of participant	Date of grant	Exercisable period (both dates inclusive)	Exercise price <i>HK\$</i>	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Outstanding at 31 December 2018
Directors:							
Mr. Zhao Wenqing	6 December 2018	6 December 2018 to 5 December 2023	0.1084	20,000,000	–	–	20,000,000
		6 December 2019 to 5 December 2023	0.1084	20,000,000	–	–	20,000,000
		6 December 2020 to 5 December 2023	0.1084	20,000,000	–	–	20,000,000
Mr. Huang Dongfeng	6 December 2018	6 December 2018 to 5 December 2023	0.1084	20,000,000	–	–	20,000,000
		6 December 2019 to 5 December 2023	0.1084	20,000,000	–	–	20,000,000
		6 December 2020 to 5 December 2023	0.1084	20,000,000	–	–	20,000,000
				<u>120,000,000</u>	<u>–</u>	<u>–</u>	<u>120,000,000</u>
Employees:							
In aggregate	6 December 2018	6 December 2018 to 5 December 2023	0.1084	60,000,000	–	–	60,000,000
		6 December 2019 to 5 December 2023	0.1084	60,000,000	–	–	60,000,000
		6 December 2020 to 5 December 2023	0.1084	60,000,000	–	–	60,000,000
				<u>180,000,000</u>	<u>–</u>	<u>–</u>	<u>180,000,000</u>
				<u>300,000,000</u>	<u>–</u>	<u>–</u>	<u>300,000,000</u>

Notes:

- (i) The exercise price of the share options is subject to adjustments in the case of capitalisation of profits or reserve, bonus issues, rights issue, open offer, subdivision or consolidation of shares, or reduction of the share capital or other changes in the capital structure of the Company.
- (ii) The closing price per share quoted on the Stock Exchange on the trading date immediate before the date on which the share options were granted on 6 December 2018 was HK\$0.111.

The binomial option pricing model was used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the independent professional valuer's best estimate. The value of a share option varies with different variables of certain subjective assumptions. The estimated fair value of the share options on their respective grant dates are as follows:

Share option type	Grant date	Exercisable period (both dates inclusive)	Fair value
			on grant date HK\$
Directors	6 December 2018	6 December 2018 to 5 December 2023	0.03398
		6 December 2019 to 5 December 2023	0.03585
		6 December 2020 to 5 December 2023	0.03727
Employees	6 December 2018	6 December 2018 to 5 December 2023	0.02380
		6 December 2019 to 5 December 2023	0.02931
		6 December 2020 to 5 December 2023	0.03339

The inputs into the model in respect of the share options granted were as follows:

	Share option type	
	Directors	Employees
Share price on grant date	HK\$0.104	HK\$0.104
Exercise price on grant date	HK\$0.1084	HK\$0.1084
Volatility	41.529%	41.529%
Expected life	5 years	5 years
Risk-free rate	2.150%	2.150%

Volatility was determined by using the historical volatility of comparable companies with business natures and operations similar to the Company over the previous five years.

The Group recognised share-based payments expense of approximately HK\$3,017,000 during the six months ended 31 December 2018 (six months ended 31 December 2017: nil) in relation to the share options granted by the Company.

18. CONTINGENT LIABILITIES

As at 31 December 2018, 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 2018 was approximately HK\$64,478,000 (equivalent to approximately GBP6,490,000) (30 June 2018: approximately HK\$58,501,000, equivalent to approximately GBP5,702,000).

(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, inter alia, 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, inter alia, 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. On 4 June 2013, the Labour Tribunal of Hong Kong made an order to transfer the case to the High Court of Hong Kong.

This trial hearing of this case is now fixed on 2 to 6 March 2020. The pre-trial review will be held on 4 December 2019.

19. EVENTS AFTER THE REPORTING PERIOD

On 28 February 2019, the Company proposed a rights issue on the basis of one rights share for every two existing shares in issue at a subscription price of HK\$0.05 per rights share to raise approximately HK\$297.7 million (before expenses) (the “Rights Issue”). Details of the Rights Issue were set out in the announcement of the Company dated 28 February 2019. The issue documents containing information on the Rights issue are expected to be despatched to the shareholders of the Company (the “Shareholders”) on or around 27 March 2019.

The Company intends to apply the net cash proceeds from the Rights Issue as to (i) approximately 80% for repayment of external debts, and (ii) approximately 20% for the general working capital of the Group.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 December 2018 (six months ended 31 December 2017: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Performance and Results

For the six months ended 31 December 2018, the revenue of the Group was approximately HK\$116.4 million, representing an increase of approximately 3.8% over the same period last year. The loss attributable to owners of the Company during the period under review was approximately HK\$168.9 million, as compared with approximately HK\$186.6 million for the same period last year. The basic loss per share was approximately HK1.53 cents.

Business Review and Prospect

The Group operates Birmingham City Football Club (“BCFC” or the “Club”) in the UK. Revenue streams of the Club 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 in the Championship Division for the season 2017/18, the Club started well in this season and had been maintaining its position with top 10 in most of the time during the second quarter in the period under review. The squad demonstrated stability in performance and the overall game play was well improved as compared to the previous season. As at the date of this announcement, the Club stood at the 8th position in the Championship Division.

Due to the reason that the accumulated loss of the Club had exceeded the allowable threshold pursuant to the Financial Fair Play Rules as set out by the English Football League (“EFL”), the Club is currently working under an imposed arrangement that restrict transfer market activities without the consent of the EFL. Despite the above restriction, the Club maintained close communication with the EFL for potential acquisitions. The management is optimistic that the performance of the Club can be improved on and off the field in 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.

The Group acquired certain residential apartments and commercial properties at One Park in Phnom Penh, Cambodia in November 2017. In November 2018, the construction of the commercial properties was completed and the properties were handed over to the Group.

On 28 August 2018, the Group entered into a long term lease agreement (the “2018 Long Term Lease Agreement”) to acquire further properties at One Park and a master lease agreement (the “Master Lease Agreement”) with Ever Depot, for leasing of the Group’s properties in Cambodia to Ever Depot for a fixed term up to 30 June 2021. The 2018 Long Term Lease Agreement and the Master Lease Agreement were approved by the independent Shareholders on 6 December 2018 and completion of the transaction took place on 13 December 2018. The residential apartments acquired in 2017 and the properties under 2018 Long Term Lease Agreement are expected to be delivered on or before end of August 2019. Further investment in One Park by the 2018 Long Term Lease Agreement and the Master Lease Agreement represent a good opportunity to secure a stable stream of income for the Group. At the same time, the long-term appreciation in value of the investment properties can bring further values to the Company and the Shareholders in future as a whole. During the six months ended 31 December 2018, the Group recorded rental income of approximately HK\$664,000 from the investment properties.

Facing the uncertain global economic outlook, including the US-Sino Trade War, the effects of Brexit in the European Union, the plan to raise interest rate by the United States Federal Reserve and the fluctuation in currency rates, the overall business environment has been unstable and challenging for the six months ended 31 December 2018. In respect of the Group’s operation, although the Club’s on-the-field performance had been improved as compared to the previous season and the management had been keen for achieving better operating results, the Club was still incurring substantial loss and required continual support by the Company. The results of the Club were still far behind expectation. In terms of future development of the Company and for the interest of the Shareholders, the management will, on one hand, continue to support the Club for further improvement in performance and, on the other hand, will take a keen but cautious approach to explore all possible solutions, including the possible introduction of and joint venture with strategic partners who can bring in financing and management support to the Club so as to enhance its competitiveness and to attain better results. At the same time, the management will continue to explore potential business opportunities and identify sustainable projects so as to further broaden the business scope and scale of the Company, to reduce the risk associated with reliance on one single operation, to enhance the financial structure of the Company and to turnaround its prolong loss making situation. In the meanwhile, the management will be proactive in 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 2018 was approximately HK\$116.4 million (six months ended 31 December 2017: approximately HK\$112.1 million), representing an increase of approximately 3.8% over the same period last year.

The revenue from the Club for the period ended 31 December 2018 was approximately HK\$115.7 million, representing an increase of approximately 3.2% compared with the same period last year.

The revenue derived from the investment properties was approximately HK\$0.7 million (six months ended 31 December 2017: nil), all of which was the rental income from the premises of the Group.

Operating Expenses

Operating expenses incurred during the period were approximately HK\$217.8 million, representing a decrease of approximately 16.9% over the same period last year. The decrease was mainly due to the Club incurred less staff costs during the period, in particular the compensation paid for the change of manager and coaching team in last year.

Other Income

Other income during the period was approximately HK\$4.2 million, representing a decrease of nearly 18.4% when comparing with corresponding period of last year. The decrease was primarily due to less subsidies received from the Premier League and interest income during the period under review.

Profit on Sales of Players' Registration

Profit on sales of players' registration was approximately HK\$3.3 million (six months ended 31 December 2017: approximately HK\$12.3 million). The decrease was mainly because less players were sold during the period under review.

Amortisation of Intangible Assets

Amortisation of intangible assets during the period under review was approximately HK\$37.3 million, representing an increase of approximately 15.1% over that of the previous period. The increase was primarily due to higher players' registration being incurred before and during the period under review.

Administrative and Other Expenses

Administrative and other expenses for the period under review, which included mainly depreciation charges, professional fees, staff costs and office overheads, increased by approximately 31.2% to approximately HK\$25.0 million. 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.

Share-based Payments Expense

During the period under review, the Company granted in aggregate 300,000,000 share options to certain directors and employees of the Group. Share options expenses of approximately HK\$3.0 million (six months ended 31 December 2017: nil) were recognised.

Finance Costs

During the period under review, the Group incurred finance costs of approximately HK\$14.0 million, representing an increase of approximately 70.5% over the same period last year. The increase in finance costs was attributable to the increase in average borrowing as compared with the same period last year.

Contingent Liabilities

Other than disclosed in note 18 above, the Group did not have any material contingent liabilities as at 31 December 2018.

Capital Expenditure and Commitments

During the period, the Group incurred capital expenditure of approximately HK\$1.2 million, the majority of which were for the purchase of property, plant and equipment and approximately HK\$134.9 million for the addition of investment properties.

At 31 December 2018, the Group had no significant capital commitment (30 June 2018: nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Financial Ratios

As at 31 December 2018, the Group's current ratio (as defined by current assets divided by current liabilities) was 80.5% (30 June 2018: 68.4%) and the gearing ratio (as defined by total borrowings divided by equity attributable to owners of the Company plus total borrowings) was 42.7% (30 June 2018: 22.2%). The ratio of total liabilities to total assets of the Group was 55.1% (30 June 2018: 40.4%).

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 2018, the Group's bank balances and cash were approximately HK\$70.4 million (30 June 2018: approximately HK\$69.2 million), which were principally denominated in Hong Kong dollars, Pounds Sterling and Renminbi. As at 31 December 2018, the Group had total borrowings of approximately HK\$367.0 million (30 June 2018: approximately HK\$166 million), of which approximately HK\$4,000 were repayable within one year (30 June 2018: approximately HK\$66.2 million).

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.

Foreign Exchange Exposure

The Group's exposure to foreign currency risk mainly relates to the Group's operation in the UK and the investment in Cambodia, which transactions, assets and liabilities are mostly denominated in Pounds Sterling and US dollars. 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 2018, the balance on this bank deposit account was GBP800,000 (equivalent to approximately HK\$7,948,000) (30 June 2018: GBP800,000 which was equivalent to approximately HK\$8,208,000).

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

Capital Structure

On 13 December 2018, pursuant to the acquisitions and under the specific mandate granted by the independent Shareholders at the extraordinary general meeting of the Company on 6 December 2018, the Company allotted and issued in aggregate 832,610,000 shares at HK\$0.0947 per share to satisfy part of the consideration payable under the 2018 Long Term Lease Agreement at a fair value in aggregate of approximately HK\$86,614,000. As at 31 December 2018, the Company had 11,806,681,672 shares of HK\$0.01 each in issue (30 June 2018: 10,974,071,672 shares).

HUMAN RESOURCES

As at 31 December 2018, the Group employed approximately 283 full time employees and approximately 587 temporary staff members in Hong Kong, the PRC and the UK (31 December 2017: approximately 280 full time employees and approximately 500 temporary staff members). The Group recognises the importance of high calibre and competent staff and continues to provide remuneration packages to employees mainly based on industry practices and individual 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 2018, 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 28 December 2018 (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.

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 Directors confirmed that they had complied with the required standard set out in the Model Code during the six months ended 31 December 2018.

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 2018 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 2018, 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 2019

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.