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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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2019

The Board of Directors (the “Board”) of Birmingham Sports Holdings Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 30 June 2019 together with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	3	210,437	208,013
Operating expenses		(470,368)	(531,563)
Loss from operations		(259,931)	(323,550)
Interest revenue		771	1,910
Other income	5	8,803	8,646
Profit on sales of players’ registration		42,133	21,707
Amortisation of intangible assets		(76,583)	(80,445)
Administrative and other expenses		(54,205)	(42,190)
Impairment loss on intangible assets		(14,746)	(4,804)
Fair value change on investment properties	11	23,160	–
Share-based payments expense	8	(4,398)	–
Finance costs	6	(28,008)	(19,070)
Share of loss of a joint venture		(46)	(172)
Loss before taxation		(363,050)	(437,968)
Income tax (expense)/credit	7	(1,640)	266
Loss for the year	8	(364,690)	(437,702)

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
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>(10,522)</u>	<u>3,870</u>
Total comprehensive expense for the year		<u><u>(375,212)</u></u>	<u><u>(433,832)</u></u>
Loss for the year attributable to:			
Owners of the Company		<u>(360,927)</u>	<u>(425,027)</u>
Non-controlling interests		<u>(3,763)</u>	<u>(12,675)</u>
		<u><u>(364,690)</u></u>	<u><u>(437,702)</u></u>
Total comprehensive expense for the year attributable to:			
Owners of the Company		<u>(371,005)</u>	<u>(421,275)</u>
Non-controlling interests		<u>(4,207)</u>	<u>(12,557)</u>
		<u><u>(375,212)</u></u>	<u><u>(433,832)</u></u>
			(Restated)
Loss per share attributable to owners of the Company			
– Basic (<i>HK cents</i>)	10	<u><u>(2.66)</u></u>	<u><u>(4.68)</u></u>
– Diluted (<i>HK cents</i>)	10	<u><u>(2.66)</u></u>	<u><u>(4.68)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		191,135	211,007
Intangible assets		142,743	197,024
Investment properties	11	553,020	393,908
Interest in a joint venture		–	1,073
Deposits, prepayments and other receivables		473	–
		<hr/>	<hr/>
Total non-current assets		887,371	803,012
		<hr/>	<hr/>
Current assets			
Inventories		3,449	6,469
Trade receivables	12	7,296	19,167
Deposits, prepayments and other receivables		52,747	51,946
Bank balances and cash		83,652	69,221
		<hr/>	<hr/>
Total current assets		147,144	146,803
		<hr/>	<hr/>
Current liabilities			
Transfer fee payables		26,693	60,626
Trade payables	13	23,394	13,507
Accruals and other payables	14	124,358	48,604
Deferred capital grants		564	585
Deferred income		–	24,969
Contract liabilities		29,136	–
Borrowings	15	130,004	66,201
		<hr/>	<hr/>
Total current liabilities		334,149	214,492
		<hr/>	<hr/>
Net current liabilities		(187,005)	(67,689)
		<hr/>	<hr/>
Total assets less current liabilities		700,366	735,323
		<hr/>	<hr/>

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current liabilities			
Transfer fee payables		–	25,650
Accruals and other payables		4,547	7,883
Deferred capital grants		13,913	14,996
Borrowings	15	84,512	99,814
Deferred tax liabilities		21,885	20,970
		<hr/>	<hr/>
Total non-current liabilities		124,857	169,313
		<hr/>	<hr/>
NET ASSETS		575,509	566,010
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Share capital	16	177,100	109,741
Reserves		419,841	473,494
		<hr/>	<hr/>
Equity attributable to owners of the Company		596,941	583,235
Non-controlling interests		(21,432)	(17,225)
		<hr/>	<hr/>
TOTAL EQUITY		575,509	566,010
		<hr/> <hr/>	<hr/> <hr/>

NOTES:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and by the Hong Kong Companies Ordinance (Cap. 622 of Laws of Hong Kong). The consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair values.

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 consolidated financial statements are presented in Hong Kong dollars for the convenience of users of the consolidated financial statements as the Company is listed in Hong Kong. They are presented in HK\$ and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

2. PRINCIPAL ACCOUNTING POLICIES

The Group incurred a loss attributable to owners of the Company of HK\$360,927,000 for the year ended 30 June 2019 and as at 30 June 2019 the Group had net current liabilities of HK\$187,005,000. 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 consolidated 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 (i) the Company has entered into a loan facility agreement and a supplemental facility agreement with a controlling shareholder of the Company, 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 (the “Trillion Trophy Facility”); (ii) the Company has unsecured loan facilities with aggregate amount of HK\$400,000,000 from third party lenders; and (iii) the financial support of the controlling shareholder of the Company, at a level sufficient to finance the working capital requirements of the Group. The controlling shareholder of the Company has agreed to provide adequate funds to the Group.

As at 30 June 2019, the total carrying amount of the borrowings under the above facilities of the Group was approximately HK\$209,697,000. As at 30 June 2019, the Group had undrawn borrowing facilities of approximately HK\$424,303,000 available to it.

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

(a) Adoption of new and revised HKFRSs

In the current year, 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 year 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 year and prior years except as stated below.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 has been applied in the amounts reported in the consolidated financial statements as follows:

	As at 1 July 2018
	<i>HK\$'000</i>
Decrease in deferred income	(24,969)
Increase in contract liabilities	24,969
	<u>24,969</u>

(b) New and revised HKFRSs issued but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 July 2018. So far, the Company has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below.

HKFRS 16 "Leases"

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Directors anticipate that the application of HKFRS 16 in the future may have an impact on the disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 16 until the Group performs a detailed review.

3. REVENUE

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Disaggregation of revenue:		
<i>Recognised at a point in time</i>		
Commercial income	39,132	38,082
Match day receipts	23,708	22,362
	<u>62,840</u>	<u>60,444</u>
<i>Recognised over time</i>		
Commercial income	16,564	20,529
Broadcasting	81,053	81,156
Match day receipts	28,663	29,466
	<u>126,280</u>	<u>131,151</u>
Revenue from contracts with customers:	<u>189,120</u>	<u>191,595</u>
Revenue from other sources:		
Commercial income	16,670	16,418
Rental income	4,647	–
	<u>21,317</u>	<u>16,418</u>
	<u><u>210,437</u></u>	<u><u>208,013</u></u>

All revenue from contracts with customers were generated from the Group's operation of a professional football club in the United Kingdom of Great Britain and North Ireland (the "UK").

Operation of a professional football club

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 excluding value added tax or other sales related taxes.

The Group's commercial income from shop sales, lottery, catering, programme sales, sales of boxes and executives are recognised when control of the products has been transferred or when the services are rendered.

The Group's commercial income from advertising and sponsorship are recognised over the contract period.

The Group's revenue from match day receipts for the football match are recognised when the match was held. The Group's revenue from match day receipt for sales of season tickets are recognised on a yearly basis.

The Group's revenue from broadcasting are recognised over the contract period.

4. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segments, based on information provided to the chief operating decision maker represented by 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 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>	Investment in properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 30 June 2019			
Segment revenue			
External sales	205,790	4,647	210,437
	<u>205,790</u>	<u>4,647</u>	<u>210,437</u>
Results			
Segment results	(310,737)	27,343	(283,394)
	<u>(310,737)</u>	<u>27,343</u>	
Interest revenue			49
Other income			922
Corporate expenses			(54,205)
Share-based payments expense			(4,398)
Finance costs			(21,978)
Share of loss of a joint venture			(46)
			<u>(46)</u>
Loss before taxation			(363,050)
Income tax expense			(1,640)
			<u>(1,640)</u>
Loss for the year			<u>(364,690)</u>

	Football club <i>HK\$'000</i>	Investment in properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 30 June 2018			
Segment revenue			
External sales	208,013	–	208,013
	<u>208,013</u>	<u>–</u>	<u>208,013</u>
Results			
Segment results	(388,140)	–	(388,140)
	<u>(388,140)</u>	<u>–</u>	
Interest revenue			123
Other income			328
Corporate expenses			(42,190)
Finance costs			(7,917)
Share of loss of a joint venture			<u>(172)</u>
Loss before taxation			(437,968)
Income tax credit			<u>266</u>
Loss for the year			<u><u>(437,702)</u></u>

Segment results represents the profit or loss incurred by each segment without allocation of certain interest revenue, other income, corporate expenses, share-based payments expense, finance costs, share of loss of a joint venture and income tax (expense)/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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
The UK		
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>	62,840	60,444
<i>Recognised over time</i>	126,280	131,151
Revenue from other sources	<u>16,670</u>	<u>16,418</u>
	<u>205,790</u>	<u>208,013</u>
The Kingdom of Cambodia ("Cambodia")		
Revenue from other sources	<u>4,647</u>	–
	<u>4,647</u>	–
	<u>210,437</u>	<u>208,013</u>

(ii) Non-current assets

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong	9,090	14,887
The People's Republic of China (the "PRC")	244	1,604
Cambodia	553,020	393,908
The UK	<u>325,017</u>	<u>392,613</u>
	<u>887,371</u>	<u>803,012</u>

5. OTHER INCOME

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Subsidies received from the Premier League (<i>Note</i>)	7,002	7,688
Reversal of provision for directors' fee	232	328
Gain on disposal of property, plant and equipment	–	30
Foreign exchange gain, (net)	470	–
Sundry income	1,099	600
	<u>8,803</u>	<u>8,646</u>

Note: During the year ended 30 June 2019, the Group's professional football operation received funding of approximately HK\$7,002,000 (2018: approximately HK\$7,688,000) from the Premier League in the UK under the Elite Player Performance Plan upon fulfillment of certain terms and conditions.

6. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest expenses on:		
– Other borrowings	21,978	7,641
– Finance leases	464	276
– Notional interest on transfer fee payables	5,566	11,153
	<u>28,008</u>	<u>19,070</u>

7. INCOME TAX (EXPENSE)/CREDIT

Income tax (expense)/credit in the consolidated statement of profit or loss and other comprehensive income represents:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Deferred taxation		
Current year	(1,640)	266
	<u>(1,640)</u>	<u>266</u>

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising from Hong Kong for the years ended 30 June 2019 and 2018.

The Group's subsidiaries in the UK are subject to Corporation Tax in the UK ("Corporation Tax"). Corporation Tax is calculated at 19% of the estimate assessable profit for the year ended 30 June 2019 (2018: 19%).

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 years ended 30 June 2019 and 2018.

8. LOSS FOR THE YEAR

Loss for the year is arrived at after charging/(crediting) the following items:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Staff costs (including directors' remuneration):		
– Salaries and wages (excluding share-based payments expense)	313,062	383,930
– Retirement benefits scheme contributions	37,386	40,512
	<u>350,448</u>	<u>424,442</u>
Share-based payments expense (<i>Note 17</i>)		
– Directors	2,068	–
– Employees	2,330	–
	<u>4,398</u>	<u>–</u>
Total staff costs	<u>354,846</u>	<u>424,442</u>
Auditors' remuneration	1,299	1,148
Amortisation of intangible assets	76,583	80,445
Depreciation of property, plant and equipment	16,747	12,051
Minimum lease payments under operating lease in respect of:		
– Properties	6,850	7,227
– Others	2,344	2,591
Cost of inventories recognised as expense	18,374	16,383
Impairment loss on intangible assets	14,746	4,804
Foreign exchange (gain)/loss, (net)	(470)	242
	<u><u>354,846</u></u>	<u><u>424,442</u></u>

9. DIVIDEND

No dividend was paid or proposed for the years ended 30 June 2019 and 2018, nor has any dividend been proposed since the end of the reporting periods.

10. 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 year attributable to owners of the Company of HK\$360,927,000 (2018: HK\$425,027,000) and the weighted average number of 13,589,382,012 (2018: 9,087,922,508 (restated)) ordinary shares in issue during the year.

The weighted average number of ordinary shares for the year ended 30 June 2018 for the purposes of calculating basis loss per share have been adjusted for the issue of new shares by way of rights issue which took place on 23 April 2019.

Diluted loss per share

For the year ended 30 June 2019, 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 year ended 30 June 2018, 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 year.

11. INVESTMENT PROPERTIES

	<i>Notes</i>	<i>HK\$'000</i>
At 1 July 2017		–
Additions		<u>393,908</u>
At 30 June 2018		393,908
Additions	<i>(i)</i>	134,940
Fair value change on investment properties	<i>(ii)</i>	23,160
Exchange realignment		<u>1,012</u>
At 30 June 2019		<u><u>553,020</u></u>

Notes:

- (i) The Group entered into a long term lease agreement on 28 August 2018 with Graticity Real Estate Development Co., Ltd. (“GRED”) to acquire certain residential properties at a consideration of approximately US\$16,304,000 (the “2018 Long Term Lease Agreement”). The consideration of the 2018 Long Term Lease Agreement 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 (equivalent to approximately HK\$48,326,000) by cash payable no later than seven (7) business days in Cambodia following the delivery date of the properties. The 2018 Long Term Lease Agreement constitutes a share-based payment under HKFRS 2 “Share-based Payment” 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 2018 Long Term Lease Agreement was completed on 13 December 2018 and the fair value of the properties on completion basis was approximately US\$17,300,000 (equivalent to approximately HK\$134,940,000). The properties were delivered to the Group in August 2019. Details of the 2018 Long Term Lease Agreement and its completion were disclosed respectively in the circular of the Company dated 20 November 2018 and the announcement of the Company dated 13 December 2018.
- (ii) The fair value of the Group’s investment properties at 30 June 2019 and 30 June 2018 have been arrived at on the basis of valuations carried out on the respective dates by JP Assets Consultancy Limited, an independent qualified professional valuer. JP Assets Consultancy Limited has appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The increase in fair value of investment properties of HK\$23,160,000 has been recognised directly in profit or loss for the year ended 30 June 2019 (2018: nil).

12. TRADE RECEIVABLES

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	8,194	20,227
Less: Impairment loss recognised	(898)	(1,060)
	7,296	19,167

- (i) The average credit period of the Group's trade receivables is 90 days (2018: 90 days) and solely relate to the professional football operation.
- (ii) The aging analysis of trade receivables, based on invoice date, net of impairment loss is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 30 days	1,457	6,430
31 days to 90 days	1,068	9,333
91 days to 180 days	940	880
181 days to 365 days	3,831	2,524
	7,296	19,167

- (iii) The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Less than 90 days past due	Over 90 days past due	Total
At 30 June 2019				
Expected loss rate	–	–	19.0%	
Receivables amount (<i>HK\$'000</i>)	2,525	940	4,729	8,194
Loss allowance (<i>HK\$'000</i>)	–	–	898	898
At 30 June 2018				
Expected loss rate	–	–	29.6%	
Receivables amount (<i>HK\$'000</i>)	15,763	880	3,584	20,227
Loss allowance (<i>HK\$'000</i>)	–	–	1,060	1,060

13. TRADE PAYABLES

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 30 days	9,180	8,905
31 days to 90 days	7,579	2,758
91 days to 180 days	3,154	748
181 days to 365 days	3,481	1,096
	23,394	13,507

The credit periods of the Group's trade payables normally granted from suppliers averaging at 90 days (2018: 90 days).

14. ACCRUALS AND OTHER PAYABLES

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Accruals	(i)	70,110	41,885
Agent's fee payables		10,469	14,602
Amount due to GRED	(ii)	48,326	–
		128,905	56,487
Less: Amount due after one year	(iii)	(4,547)	(7,883)
Amount shown as current liabilities		124,358	48,604

Notes:

- (i) Included in accruals are amount of approximately HK\$202,000 (2018: approximately HK\$434,000) relating to accrued directors' remuneration.
- (ii) Amount due to GRED represents the consideration payable on the acquisition of properties located in Cambodia. Details of the transaction are disclosed in note 11 above.
- (iii) Agent's fee of approximately HK\$4,547,000 (2018: approximately HK\$7,883,000) payable for the acquisition of football players is due after one year according to the transfer agreements of players.
- (iv) Accruals and other payables are all non-interest bearing.

15. 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 30 June 2019, the amount of the borrowings from and interest payable to Trillion Trophy were approximately HK\$66,197,000 (2018: approximately HK\$66,197,000) and approximately HK\$3,890,000 (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 30 June 2019, the amount of the outstanding principal amount and interest payable under the 201805 Facility were HK\$130,000,000 (2018: approximately HK\$95,000,000) and approximately HK\$2,670,000 (2018: approximately HK\$519,000) respectively.

- (iii) On 10 August 2018 and 11 March 2019, the Company and an external lender entered into a standby loan facility and a supplemental loan agreement respectively, pursuant to which such lender provided a revolving 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 30 June 2019, the amount of the outstanding principal amount and interest payable under the 201808 Facility were HK\$13,500,000 and approximately HK\$1,108,000 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 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 acquisition 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 discounted 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 acquisition in November 2017. As at 30 June 2019, the amount of the outstanding principal amount and interest payable under the long-term lease agreement were approximately US\$594,000 (equivalent to approximately HK\$4,636,000) and approximately US\$35,000 (equivalent to approximately HK\$274,000) respectively.
- (v) As at 30 June 2019, the total carrying amount of the borrowings of the Group was approximately HK\$214,516,000 (2018: approximately HK\$166,015,000). As at 30 June 2019, the Group had undrawn borrowing facility of approximately HK\$424,303,000 available to it (2018: approximately HK\$238,803,000).

16. SHARE CAPITAL

	<i>Notes</i>	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 30 June 2018 and 30 June 2019		50,000,000,000	500,000
Issued and fully paid:			
At 1 July 2017		6,293,154,672	62,932
Issue of consideration shares	<i>(i)</i>	2,086,551,000	20,865
Issue of shares completion of share subscriptions	<i>(i)</i>	2,594,366,000	25,944
At 30 June 2018		10,974,071,672	109,741
Issue of consideration shares	<i>(ii)</i>	832,610,000	8,326
Issue of shares completion of rights issue	<i>(iii)</i>	5,903,340,836	59,033
At 30 June 2019		17,710,022,508	177,100

Notes:

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

(ii) **Consideration shares**

The Group acquired certain properties located in Cambodia through entering into the 2018 Long Term Lease Agreement with 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 2018 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) **Rights issue**

On 23 April 2019, the Company allotted and issued 5,903,340,836 new shares on the basis of one rights share for every two shares held by qualifying shareholders at the subscription price of HK\$0.05 per rights share ("Rights Issue"). The gross proceeds from the Rights Issue was approximately HK\$295,167,000 and costs incurred for the Rights Issue amounted to approximately HK\$1,468,000. Details of the Rights Issue were disclosed in the Company's announcements dated 28 February 2019 and 18 April 2019 (collectively the "Rights Issue Announcements") and the prospectus of the Company dated 27 March 2019 (the "Prospectus").

(iv) All ordinary shares issued by the Company during both years rank *pari passu* with the then existing ordinary shares in all respects.

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.

On 23 April 2019, the Company completed the Rights Issue in which 5,903,340,836 new shares on the basis of one rights share for every two shares were allotted and issued at the subscription price of HK\$0.05 per rights share. The number of share of the Company that can be issued upon exercise of the outstanding share options and the exercise price of the outstanding share options were adjusted in accordance with the Share Option Scheme and the supplementary guidance regarding adjustment of share options under Rule 17.03(13) of the Listing Rules and reviewed by ZHONGHUI ANDA CPA Limited, the auditor of the Company.

Details of movements in the number of share options during the year ended 30 June 2019 under the Share Option Scheme are as follows:

Name or category of participant	Date of grant	Exercisable period (both dates inclusive)	Exercise price HK\$	Adjusted exercise price per share due to Rights Issue (Note (i)) HK\$	Granted during the year	Exercised during the year	Cancelled/lapsed during the year	Adjustment to number of share options due to Rights Issue (Note (i))	Outstanding at 30 June 2019
Directors									
Mr. Zhao Wenqing	6 December 2018	6 December 2018 to 5 December 2023	0.1084	0.09736	20,000,000	-	-	2,268,042	22,268,042
		6 December 2019 to 5 December 2023	0.1084	0.09736	20,000,000	-	-	2,268,041	22,268,041
		6 December 2020 to 5 December 2023	0.1084	0.09736	20,000,000	-	-	2,268,041	22,268,041
Mr. Huang Dongfeng	6 December 2018	6 December 2018 to 5 December 2023	0.1084	0.09736	20,000,000	-	-	2,268,042	22,268,042
		6 December 2019 to 5 December 2023	0.1084	0.09736	20,000,000	-	-	2,268,041	22,268,041
		6 December 2020 to 5 December 2023	0.1084	0.09736	20,000,000	-	-	2,268,041	22,268,041
					<u>120,000,000</u>	<u>-</u>	<u>-</u>	<u>13,608,248</u>	<u>133,608,248</u>
Employees	6 December 2018	6 December 2018 to 5 December 2023	0.1084	0.09736	60,000,000	-	-	6,804,123	66,804,123
		6 December 2019 to 5 December 2023	0.1084	0.09736	60,000,000	-	-	6,804,124	66,804,124
		6 December 2020 to 5 December 2023	0.1084	0.09736	60,000,000	-	-	6,804,123	66,804,123
					<u>180,000,000</u>	<u>-</u>	<u>-</u>	<u>20,412,370</u>	<u>200,412,370</u>
					<u>300,000,000</u>	<u>-</u>	<u>-</u>	<u>34,020,618</u>	<u>334,020,618</u>

Notes:

- (i) As a result of the Rights Issue which was completed on 23 April 2019, the exercise price of the share options was adjusted from HK\$0.1084 to HK\$0.09736 under the Share Option Scheme and the supplementary guidance regarding adjustment of share options under Rule 17.03(13) of the Listing Rule. The number of shares of the Company that will fall to be issued upon exercise of the outstanding share options were also adjusted accordingly.
- (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 and 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\$4,398,000 during the year ended 30 June 2019 (2018: nil) in relation to the share options granted by the Company.

18. CONTINGENT LIABILITIES

As at 30 June 2019, 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 30 June 2019 was approximately HK\$43,513,000 (equivalent to approximately GBP4,393,000) (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.

The 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. EVENT AFTER THE REPORTING PERIOD

On 23 July 2019, Dooboo Tech Limited (“Dooboo Tech”), a wholly-owned subsidiary of the Company entered into a share acquisition agreement with 海南水石體育文化發展有限公司 (Hainan Waterstone Sports Culture Development Co., Ltd.*, “Hainan Waterstone”), pursuant to which Dooboo Tech agreed to purchase and Hainan Waterstone agreed to sell the entire issued share capital of 網梅在綫(北京) 信息技術有限公司 (Wangmei Online (Beijing) Information & Technology Co., Ltd.*, “Wangmei Online”), at a total consideration of RMB20 million (equivalent to approximately HK\$22.7 million). Upon the completion of the acquisition, Wangmei Online will become a wholly-owned subsidiary of the Company. Details of which are set out in the announcement of the Company dated 23 July 2019.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT ON THE COMPANY’S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

An extract of the Company’s independent auditor’s report for the year ended 30 June 2019 is as follows:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to owners of the Company of HK\$360,927,000 for the year ended 30 June 2019 and as at 30 June 2019 the Group had net current liabilities HK\$187,005,000. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 30 June 2019 (2018: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Performance and Results

For the year ended 30 June 2019, the revenue of the Group was approximately HK\$210.4 million (2018: approximately HK\$208 million) representing an increase of 1.2% as compared with last year. The loss attributable to owners of the Company during the year under review was approximately HK\$360.9 million as compared with approximately HK\$425 million for the year ended 30 June 2018. The basic loss per share was approximately HK2.66 cents (2018: approximately HK4.68 cents (restated)).

Business Review and Prospect

The Group is principally engaged in two business segments: (i) operation of a professional football club in the UK; and (ii) investment in properties.

(i) Football club

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 squad demonstrated stability in performance and the overall game play was well improved as compared to the previous season. The results of the Club was encouraging as it had been maintaining its position within top 10 since the start of the second half of season 2018/19. On 22 March 2019, the Club received the decision of the Disciplinary Commission in connection with breaches of the Championship Profitability and Sustainability Rules (the "P&S Rules") of the English Football League. The breaches of the P&S Rules are in relation to the aggregate loss of the Club in three seasons since 2015/16 exceeded upper loss threshold and the loss of the Club in season 2017/18 exceeded the annual threshold. Pursuant to the decision of the Disciplinary Commission, 9 points was deducted from the points earned in the Championship Division by the Club in season 2018/19. Although the Club performed well in this season, the Club eventually finished the 2018/19 season at the 17th position.

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.

(ii) *Investment in properties*

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 the 2018 Long Term Lease Agreement with GRED to acquire further properties at One Park; and the Group also entered into 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 of the Company 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 the 2018 Long Term Lease Agreement were delivered to the Group in August 2019.

The investment of commercial properties and residential apartments at One Park 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 of the Company (the “Shareholder(s)”) as a whole in future. During the year, the Group recorded rental income of approximately HK\$4,647,000 from the investment properties and increase in fair value of investment properties of HK\$23,160,000.

The management has been ambitious to explore new business opportunities in different markets and industries that can enhance the performance of the Group. On 23 July 2019, the Group through its a wholly-owned subsidiary, Dooboo Tech, acquired the entire issued share capital of Wangmei Online at a total consideration of RMB20 million (equivalent to approximately HK\$22.7 million) (the “Acquisition”). After the Acquisition, the Group shall further inject RMB6.3 million (equivalent to approximately HK\$7.2 million) to Wangmei Online as further capital injection (“Capital Contribution”). As a condition of the Acquisition, the vendor has undertaken to Dooboo Tech that the lottery business of Wangmei Online shall achieve a cumulative audited net profit after taxation (“Profit”) of RMB30 million (equivalent to approximately HK\$34.1 million, the “Profit Target”) for the three years from 1 July 2019 to 30 June 2022. In the event that the lottery business achieves only 85% or below of the Profit Target, the vendor shall compensate the Group in cash of the percentage shortfall to the total amount of the consideration of the Acquisition and the Capital Contribution.

Wangmei Online is principally engaged in the provision of technology and operation service solutions and terminal equipment for lottery business in the PRC. The lottery service solutions provided by the Wangmei Online cover development, technological supports, monitoring and maintenance of lottery sales and operational systems as well as mobile payment system, sourcing of terminal equipment and design and development of lottery games. The core management team of Wangmei Online possesses over 10 years of experience in the lottery service industry and Wangmei Online has obtained ISO9001 certification for its quality management system and ISO27001 certification for its information security management activities of lottery-related software development and operational services. The Acquisition represents a valuable opportunity for the Group to achieve the foregoing aims by tapping into the lottery service solutions business. Going forward, Wangmei Online will continue to develop its business in the PRC and will seek cooperation opportunities with overseas lottery business operators, such as those in Southeast Asia, Europe and Australia.

The business environment had been unstable and challenging during the year ended 30 June 2019. Facing the US-China trade war, the effects of Brexit in the European Union and other uncertain global economic outlook, the challenges in the overall business environment will be severe in the year ahead. In terms of future development of the Company and for the interest of the Shareholders, the management has been keen on improving the operating results of the Group. 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 has been ambitious but cautious in exploring different business opportunities and identifying potential projects, in particular in opportunities that possess massive customer base which can bring in sustainable growth and stable return, with an aim to secure the ongoing business development of the Company, 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 year ended 30 June 2019 was approximately HK\$210.4 million (2018: approximately HK\$208 million), representing an increase of approximately 1.2% over the same period last year.

The Club recorded a slightly increase in revenue, in term of Pound Sterling, by 2.7% over the same period last year. The increase in the Club's revenue, however was mostly offset by devaluation of Pound Sterling during the year which caused the revenue of the Group decreased by 1.1% to approximately HK\$205.8 million in term of Hong Kong dollars.

The revenue derived from the investment properties was approximately HK\$4.6 million (2018: nil), all of which was the rental income from the leasing of the investment properties.

Operating Expenses

Operating expenses incurred during the year were approximately HK\$470.4 million, representing a decrease of approximately 11.5% over last year. The decrease was mainly due to the Club incurred less staff costs during the year, in particular the absence of the compensation paid for the change of manager and coaching team in last year.

Other Income

Other income during the year was approximately HK\$8.8 million. Other income was mainly generated from the subsidies received from the Premier League.

Profit on Sales of Players' Registration

Profit on sales of players' registration was approximately HK\$42.1 million (2018: approximately HK\$21.7 million). The increase was mainly attributable to more revenue from sales of players were recorded during the year under review.

Fair Value Change on Investment Properties

During the year, the Group recorded gains on changes in fair value of investment properties of approximately HK\$23.2 million (2018: nil) as a result of the increase in fair value of investment properties held by the Group as at 30 June 2019.

Amortisation of Intangible Assets

Amortisation of intangible assets during the year under review was approximately HK\$76.6 million, representing a decrease of 4.8% over that of the previous year. The decrease was primarily due to more players were disposed of during the year under review.

Impairment Loss on Intangible Assets

For the year ended 30 June 2019, the Group made an impairment loss of approximately HK\$14.7 million on the Group's intangible assets (2018: approximately HK\$4.8 million). The impairment made this year was in relation to the loss on the carrying value of trademark (2018: nil). No impairment loss on players registration was recognised this year (2018: approximately HK\$4.8 million).

Administrative and Other Expenses

Administrative and other expenses increased by approximately 28.5% to approximately HK\$54.2 million for the year under review, mainly due to (i) the increase in professional fee; (ii) the increase in travelling expenses incurred for business development; and (iii) the increase in the general expenses incurred for daily operations. 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

Share-based payments expense of approximately HK\$4.4 million was recorded during the year under review, representing the costs for granting share options to certain directors and employees of the Group.

Finance Costs

During the year under review, the Group incurred finance costs of approximately HK\$28.0 million, representing an increase of 46.9% over last year. The increase was mainly due to the increase in interest payable on new loans drawn during the year under review in order to cope with the Group's business development.

Intangible Assets

The Group had intangible assets amounted to approximately HK\$142.7 million at the year end which was 27.6% lower than that of the previous year. The decrease was primarily due to the impairment of the trademark and amortisation expenses during the year.

Inventories

The Group's inventories at the end of the year decreased by 46.7% to approximately HK\$3.5 million. All the inventories were current in nature and no written down of its value was considered necessary.

Trade Receivables

The Group had net trade receivables at the end of the year amounted to approximately HK\$7.3 million, representing a decrease of 61.9% over that of the previous year.

The decrease was mainly due to the absence of sponsorship receivables as at the end of previous year amounted to approximately HK\$7.7 million which had been settled during the year.

Transfer Fee Payables

The Group's transfer fee payables at the end of the year decreased by 69.1% to approximately HK\$26.7 million in total as less players were signed up during this year.

Trade Payables

The Group's trade payables increased by 73.2% over that of the previous year to approximately HK\$23.4 million. The increase was largely attributable to higher amount of payables for merchandise purchases and to services suppliers as at end of this year as settlement were made subsequent to year end.

Contract Liabilities/Deferred Income

Contract liabilities/deferred income represented mainly the unrecognised income in relation to match receipt. During the year, the Group adopted HKFRS 15 pursuant to which the deferred income as presented in prior year was reclassified as contract liabilities as at 1 July 2018.

At the end of the year, contract liabilities were approximately HK\$29.1 million, representing an increase of 16.7% over that of last year. The increase was primarily due to more season tickets for the new season were sold before year end as compared to last year.

Contingent Liabilities

Other than disclosed in note 18 above, the Group did not have any material contingent liabilities as at 30 June 2019.

Capital Expenditure and Commitments

For the year ended 30 June 2019, the Group invested approximately HK\$3.5 million in the purchase of property, plant and equipment, and approximately HK\$134.9 million for the addition of investment properties.

At 30 June 2019, the Group had no significant capital commitment (2018: nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Financial Ratios

As at 30 June 2019, the Group's current ratio (as defined by current assets divided by current liabilities) was 44.0% (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 26.4% (2018: 22.2%). The ratio of total liabilities to total assets of the Group was 44.4% (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 30 June 2019, the Group's bank balances and cash were approximately HK\$83.7 million (2018: approximately HK\$69.2 million), which were principally denominated in Hong Kong dollars, Pound Sterling and Renminbi. As at 30 June 2019, the Group had total borrowings approximately HK\$214.5 million (2018: approximately HK\$166.0 million), of which approximately HK\$130.0 million were repayable within one year (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.

On 10 August 2018, the Company and an external lender entered into a standby loan facility (as supplemented by a supplemental loan agreement dated 11 March 2019) pursuant to which a revolving loan facility up to HK\$250 million was provided to the Company. 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 30 June 2019, the amount of the outstanding principal amount and interest payable under the 201808 Facility were approximately HK\$13.5 million and approximately HK\$1.1 million respectively.

On 28 February 2019, the Company proposed the Rights Issue on the basis of one rights share for every two shares held by qualifying shareholders at the subscription price of HK\$0.05 per rights share. The Rights Issue was completed on 23 April 2019 under which a total of 5,903,340,836 new shares were allotted and issued. The net proceeds from the Rights Issue after deducting the underwriting commission and other expenses amounted to approximately HK\$293.7 million.

Use of proceeds from Rights Issue

During the year under review, a total amount of approximately HK\$236.0 million, representing approximately 80.4% of the net proceeds from the Rights Issue, was used for repayment of external debts and the remaining balance of approximately HK\$57.7 million, representing approximately 19.7% of the net proceeds from the Rights Issue, was utilised for general working capital of the Group. As at the date of this announcement, the proceeds from the Rights Issue has been fully utilised and was applied in accordance with the intended use as disclosed in the Prospectus.

Directors' Opinion on Sufficiency of Working Capital

As at 30 June 2019, the current liabilities of the Group exceeded current assets by approximately HK\$187.0 million (2018: approximately HK\$67.7 million). The Group's ability to continue as a going concern depends on the financial resources presently available to the Group. Taking into account the expected financial performance, net cash expected to be generated from the operation of the Group and the available loan facilities, the Directors believe that the Group is able to fully meet its liabilities as and when they fall due and to carry on its business without a significant curtailment of operations for the foreseeable future.

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 Pound 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 30 June 2019, the balance on this bank deposit account was GBP800,000 (equivalent to approximately HK\$7,924,000) (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 2018 Long Term Lease Agreement 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.

On 28 February 2019, the Company proposed the Rights Issue on the basis of one rights share for every two shares held by qualifying shareholder at a subscription price of HK\$0.05 per rights share and the net proceeds from the Rights Issue was approximately HK\$293,700,000. Details of the Rights Issue and the completion were disclosed in the Rights Issue Announcements and the Prospectus. The Rights Issue was completed on 23 April 2019 and 5,903,340,836 new shares were allotted and issued.

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. As a result of the completion of the Rights Issue, the exercise price of the outstanding share options and the related number of shares that could be subscribed for upon exercise of the outstanding share options were adjusted with effect from 23 April 2019 in accordance with the Share Option Scheme and the supplementary guidance regarding the adjustment of share options under Rule 17.03(13) of the Listing Rules. As at 30 June 2019, the total number of ordinary shares of the Company that will fall to be issued upon exercise of the outstanding share options were 334,020,618 shares.

As at 30 June 2019, the Company had 17,710,022,508 shares of HK\$0.01 each in issue (2018: 10,974,071,672 shares).

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2019, the Group employed approximately 279 full time employees and approximately 522 temporary staff members in Hong Kong, the PRC and the UK (2018: approximately 279 full time employees and approximately 549 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.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Company's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2019 as set out in the preliminary announcement of the Group's results for the year ended 30 June 2019 have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

AUDIT COMMITTEE

Mr. To Yan Ming, Edmond ("Mr. To"), an Independent Non-executive Director, passed away on 28 August 2019. Following the passing away of Mr. To, there was a vacancy in the position of the chairman of the audit committee of the Company (the "Audit Committee") and the Company failed to meet the requirement set out in Rule 3.21 of the Listing Rules that the audit committee must be chaired by an independent non-executive director. The Company will take steps to fulfill the requirements of the Listing Rules as soon as practicable and in any event within three months after 28 August 2019, and will make further announcement(s) as and when appropriate.

The Audit Committee now comprises two Independent Non-executive Directors, namely Mr. Pun Chi Ping and Ms. Leung Pik Har, Christine. The audited consolidated financial statements of the Company for the year ended 30 June 2019 have been reviewed by the Audit Committee and have been duly approved by the Board under the recommendation of the Audit Committee.

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 for the year ended 30 June 2019, 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 “2018 AGM”) due to other business commitment. However, the former Executive Director, Ms. Chan Yuk Yee (“Ms. Chan”), had taken the chair of the 2018 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 2018 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 of them confirmed that they had complied with the required standard set out in the Model Code during the year ended 30 June 2019.

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

During the year ended 30 June 2019, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company’s listed securities.

PUBLICATION OF FINAL RESULTS

This announcement is published on the website of the Company at www.bshl.com.hk and the Stock Exchange website at www.hkexnews.hk.

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

Hong Kong, 30 September 2019

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

* *for identification purpose only*