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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 2020

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 2020 together with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	4	231,529	210,437
Operating expenses		(449,872)	(470,368)
Loss from operations		(218,343)	(259,931)
Interest revenue		7,803	771
Other income	6	14,649	8,803
Profit on sales of players’ registration		115,543	42,133
Amortisation of intangible assets		(84,331)	(76,583)
Administrative and other expenses		(51,609)	(54,205)
Impairment loss on intangible assets		(393)	(14,746)
Impairment loss on goodwill		(2,212)	–
Fair value change on investment properties		(22,386)	23,160
Fair value gain on derivative financial instruments		5,544	–
Share-based payments expense		(2,761)	(4,398)
Finance costs	7	(33,187)	(28,008)
Share of loss of a joint venture		–	(46)

		2020	2019
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Loss before taxation		(271,683)	(363,050)
Income tax credit/(expense)	8	<u>5,199</u>	<u>(1,640)</u>
Loss for the year	9	<u>(266,484)</u>	<u>(364,690)</u>
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of overseas subsidiaries		<u>(11,557)</u>	<u>(10,522)</u>
Total comprehensive expense for the year		<u>(278,041)</u>	<u>(375,212)</u>
Loss for the year attributable to:			
Owners of the Company		(260,484)	(360,927)
Non-controlling interests		<u>(6,000)</u>	<u>(3,763)</u>
		<u>(266,484)</u>	<u>(364,690)</u>
Total comprehensive expense for the year attributable to:			
Owners of the Company		(272,955)	(371,005)
Non-controlling interests		<u>(5,086)</u>	<u>(4,207)</u>
		<u>(278,041)</u>	<u>(375,212)</u>
Loss per share attributable to owners of the Company			
– Basic (<i>HK cents</i>)	11	<u>(1.47)</u>	<u>(2.66)</u>
– Diluted (<i>HK cents</i>)	11	<u>(1.47)</u>	<u>(2.66)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	<i>Notes</i>	2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		171,065	191,135
Right-of-use assets		24,219	–
Intangible assets		164,435	142,743
Goodwill		6,522	–
Investment properties	<i>12</i>	530,634	553,020
Derivative financial instruments		5,483	–
Deposits, prepayments and other receivables		47,146	473
		<hr/>	<hr/>
Total non-current assets		949,504	887,371
		<hr/>	<hr/>
Current assets			
Inventories		856	3,449
Trade receivables	<i>13</i>	5,347	7,296
Deposits, prepayments and other receivables		66,864	52,747
Contract assets		140	–
Bank balances and cash		38,804	83,652
		<hr/>	<hr/>
Total current assets		112,011	147,144
		<hr/>	<hr/>
Current liabilities			
Transfer fee payables		28,496	26,693
Trade payables	<i>14</i>	16,420	23,394
Accruals and other payables		143,620	124,358
Deferred capital grants		544	564
Contract liabilities		6,671	29,136
Borrowings	<i>15</i>	482,621	130,004
Lease liabilities		7,093	–
		<hr/>	<hr/>
Total current liabilities		685,465	334,149
		<hr/>	<hr/>
Net current liabilities		(573,454)	(187,005)
		<hr/>	<hr/>
Total assets less current liabilities		376,050	700,366
		<hr/>	<hr/>

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current liabilities			
Accruals and other payables		15,088	4,547
Deferred capital grants		12,860	13,913
Borrowings	<i>15</i>	4,821	84,512
Lease liabilities		22,260	–
Deferred tax liabilities		20,792	21,885
		<hr/>	<hr/>
Total non-current liabilities		75,821	124,857
		<hr/>	<hr/>
NET ASSETS		300,229	575,509
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Share capital	<i>16</i>	177,100	177,100
Reserves		149,647	419,841
		<hr/>	<hr/>
Equity attributable to owners of the Company		326,747	596,941
Non-controlling interests		(26,518)	(21,432)
		<hr/>	<hr/>
TOTAL EQUITY		300,229	575,509
		<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 and certain financial instruments, 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\$260,484,000 for the year ended 30 June 2020 and as at 30 June 2020 the Group had net current liabilities of HK\$573,454,000. 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 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\$510,955,000 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 2020, the total carrying amount of the borrowings under the above facilities of the Group was approximately HK\$481,694,000. As at 30 June 2020, the Group had available approximately HK\$279,261,000 undrawn borrowing facilities.

In addition, the Group has obtained a secured loan facility up to a maximum amount of GBP17,312,000 (equivalent to approximately HK\$165,200,000) from a bank on 23 September 2020.

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.

3. 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 2019. 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 16 "Leases"

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of consolidated statement of financial position on 1 July 2019, and the comparative information was not restated and continued to be reported under HKAS 17 and related interpretations.

(a) *Adjustments recognised on adoption of HKFRS 16*

The following table shows the adjustments for change in accounting policy recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

	As at 30 June 2019	Impact on initial adoption of HKFRS 16	As at 1 July 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Right-of-use assets	–	10,034	10,034
Current liabilities			
Borrowings	130,004	(4)	130,000
Lease liabilities	–	1,117	1,117
Non-current liabilities			
Borrowings	84,512	(4,632)	79,880
Lease liabilities	–	13,553	13,553

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 July 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 July 2019 were ranging from 8% to 11%.

(b) *Reconciliation of operating lease commitments to lease liabilities*

	<i>HK\$'000</i>
Operating lease commitment as at 30 June 2019	74,016
Add:	
Finance lease payable	4,636
Less:	
Commitment relating to leases with a remaining lease term ending on or before 30 June 2020	(5,892)
Discounting	(58,090)
Lease liabilities recognised as at 1 July 2019	<u>14,670</u>
Analysed as:	
Current lease liabilities	1,117
Non-current lease liabilities	<u>13,553</u>
	<u>14,670</u>

The associated right-of-use assets at the date of initial application were measured as an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 30 June 2019.

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Disaggregation of revenue:		
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>		
Commercial income	34,399	39,132
Match day receipts	21,547	23,708
	<u>55,946</u>	<u>62,840</u>
<i>Recognised over time</i>		
Commercial income	14,406	16,564
Broadcasting	86,895	81,053
Match day receipts	24,198	28,663
Lottery system and online payment system service solutions	2,323	–
	<u>127,822</u>	<u>126,280</u>
	<u>183,768</u>	<u>189,120</u>
Revenue from other sources:		
Commercial income	22,950	16,670
Rental income	24,811	4,647
	<u>47,761</u>	<u>21,317</u>
	<u><u>231,529</u></u>	<u><u>210,437</u></u>

Revenue from contracts with customers comprise:

- (i) Match day receipts:
 - Match day receipts for a football match tickets are recognised when the match was held.
 - Match day receipt for sales of season tickets are recognised on a yearly basis.
- (ii) Broadcasting:
 - Television and broadcasting income are recognised over the contract period.
- (iii) Other commercial income:
 - Shop sales, catering and programme sales are recognised when control of the products has been transferred or when the services are rendered.
 - Advertising and sponsorship are recognised over the contract period.
- (iv) Lottery system and online payment system service solutions:
 - Lottery system and online payment system service solutions are recognised over the contract period.

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 has three (2019: two) 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"),
- (ii) investment in properties, and
- (iii) provision of lottery system and online payment system service solutions.

Segment revenue and results

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

For the year ended 30 June 2020

	Football club <i>HK\$'000</i>	Investment in properties <i>HK\$'000</i>	Lottery system and online payment system service solutions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
External sales	<u>204,395</u>	<u>24,811</u>	<u>2,323</u>	<u>231,529</u>
Results				
Segment results	<u>(186,519)</u>	<u>(514)</u>	<u>(8,461)</u>	<u>(195,494)</u>
Interest revenue				16
Other income				232
Corporate expenses				(46,099)
Share-based payments expense				(2,761)
Finance costs				<u>(27,577)</u>
Loss before taxation				(271,683)
Income tax credit				<u>5,199</u>
Loss for the year				<u>(266,484)</u>

For the year ended 30 June 2019

	Football club <i>HK\$'000</i>	Investment in properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
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>	<u>(283,394)</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>

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 credit/(expense).

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The UK		
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>	55,946	62,840
<i>Recognised over time</i>	125,499	126,280
Revenue from other sources	<u>22,950</u>	<u>16,670</u>
	<u>204,395</u>	<u>205,790</u>
The Kingdom of Cambodia (“Cambodia”)		
Revenue from contracts with customers:		
<i>Recognised over time</i>	2,323	–
Revenue from other sources	<u>24,811</u>	<u>4,647</u>
	<u>27,134</u>	<u>4,647</u>
	<u>231,529</u>	<u>210,437</u>

(ii) Non-current assets

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	17,679	9,090
The People’s Republic of China (the “PRC”)	30,292	244
Cambodia	530,634	553,020
The UK	<u>370,899</u>	<u>325,017</u>
	<u>949,504</u>	<u>887,371</u>

6. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Subsidies received from the Premier League (<i>Note (i)</i>)	7,116	7,002
Reversal of provision for directors’ fee	199	232
Foreign exchange gain, (net)	–	470
Government subsidy (<i>Note (ii)</i>)	6,741	–
Sundry income	<u>593</u>	<u>1,099</u>
	<u>14,649</u>	<u>8,803</u>

Notes:

- (i) During the year ended 30 June 2020, the Group's professional football operation received funding of approximately HK\$7,116,000 (2019: approximately HK\$7,002,000) from the Premier League in the UK under the Elite Player Performance Plan upon fulfillment of certain terms and conditions.
- (ii) This primarily represents a subsidy of HK\$6,741,000 (2019: nil) granted by the UK Government due to the outbreak of novel coronavirus (COVID-19) pandemic and lockdown in the UK.

7. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest expenses on:		
– Other borrowings	27,381	21,978
– Notional interest on transfer fee payables	3,714	5,566
– Finance leases	–	464
– Interest on lease liabilities	2,092	–
	<u>33,187</u>	<u>28,008</u>

8. INCOME TAX CREDIT/(EXPENSE)

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Deferred taxation		
Current year	<u>5,199</u>	<u>(1,640)</u>

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong for the years ended 30 June 2020 and 2019.

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 2020 (2019: 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 2020 and 2019.

9. LOSS FOR THE YEAR

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

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Staff costs (including directors' remuneration):			
– Salaries and wages (excluding share-based payments expense)		318,312	313,062
– Retirement benefits scheme contributions		34,162	37,386
		<u>352,474</u>	<u>350,448</u>
Share-based payments expense			
– Directors		1,214	2,068
– Employees		1,547	2,330
		<u>2,761</u>	<u>4,398</u>
Total staff costs		<u>355,235</u>	<u>354,846</u>
Auditors' remuneration		1,375	1,299
Amortisation of intangible assets		84,331	76,583
Depreciation of property, plant and equipment		15,875	16,747
Depreciation of right-of-use assets		4,710	–
Litigation claim	<i>(i)</i>	510	–
Minimum lease payments under operating lease in respect of:	<i>(ii)</i>		
– Properties		–	6,850
– Others		–	2,344
Expenses related to short-term lease		5,446	–
Cost of inventories recognised as expense		15,452	18,374
Impairment loss on goodwill		2,212	–
Impairment loss/(reversal of impairment loss) on trade receivables, (net)		2,878	(47)
Impairment loss on other receivables		1,577	–
Impairment loss on intangible assets		393	14,746
Foreign exchange loss/(gain), (net)		488	(470)
		<u><u>488</u></u>	<u><u>(470)</u></u>

Notes:

- (i) A claim was filed by a former director of the Company, against the Company in May 2013. The Company made a counterclaim against him in October 2013. The case has been transferred from the Labour Tribunal of Hong Kong to the High Court of Hong Kong in 2013. In December 2019, the Company have reached full and final settlement with the former director. An order for dismissal of all claims and counterclaim has been granted by the court on 5 December 2019. The settlement sum of HK\$510,000 was recognised during the year and included in administrative and other expenses.

- (ii) After initial recognition of right-of-use assets at 1 July 2019 as detailed in note 3, the Group as a lessee, is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated.

10. DIVIDEND

No dividend was paid or proposed for the years ended 30 June 2020 and 2019, 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 year attributable to owners of the Company of HK\$260,484,000 (2019: HK\$360,927,000) and the weighted average number of 17,710,022,508 (2019: 13,589,382,012) ordinary shares in issue during the year.

Diluted loss per share

For the year ended 30 June 2020 and 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 owners of the Company and have anti-dilutive effect.

12. INVESTMENT PROPERTIES

The carrying amount of the Group's investment properties as at 30 June 2020 and 2019 were stated based on the valuation conducted by JP Assets Consultancy Limited, an independent qualified professional valuer, on market value using the existing use basis. JP Assets Consultancy Limited has appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The loss arising on changes in fair value of investment properties of approximately HK\$22,386,000 was recognised in profit or loss during the year ended 30 June 2020 (2019: profit on change in fair value of investment properties of approximately HK\$23,160,000).

13. TRADE RECEIVABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	8,227	8,194
Less: Impairment loss recognised	<u>(2,880)</u>	<u>(898)</u>
	<u>5,347</u>	<u>7,296</u>

- (i) The average credit period of the Group's trade receivables is 90 days (2019: 90 days).

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

	2020	2019
	HK\$'000	HK\$'000
Within 30 days	96	1,457
31 days to 90 days	2	1,068
91 days to 180 days	1,185	940
181 days to 365 days	4,064	3,831
	<u>5,347</u>	<u>7,296</u>

- (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 2020				
Expected loss rate	–	1.7%	41.3%	
Receivables amount (HK\$'000)	98	1,205	6,924	8,227
Loss allowance (HK\$'000)	–	20	2,860	2,880
At 30 June 2019				
Expected loss rate	–	–	19.0%	
Receivables amount (HK\$'000)	2,525	940	4,729	8,194
Loss allowance (HK\$'000)	–	–	898	898

14. TRADE PAYABLES

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

	2020	2019
	HK\$'000	HK\$'000
Within 30 days	4,169	9,180
31 days to 90 days	1,769	7,579
91 days to 180 days	5,857	3,154
181 days to 365 days	4,625	3,481
	<u>16,420</u>	<u>23,394</u>

The credit periods of the Group's trade payables normally granted from suppliers averaging at 90 days (2019: 90 days).

15. BORROWINGS

- (i) On 21 December 2016 and 21 December 2018, the Company entered into a revolving loan facility agreement and a supplemental facility agreement, respectively, with Trillion Trophy to provide a revolving loan facility up to 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 rate of 4.5% per annum. As at 30 June 2020, the amount of the outstanding principal and interest payable under the Trillion Trophy Facility were approximately HK\$66,197,000 (2019: approximately HK\$66,197,000) and approximately HK\$6,877,000 (2019: approximately HK\$3,890,000), respectively.
- (ii) On 8 May 2018 and 18 November 2019, the Company and an external lender entered into a standby loan facility agreement and a supplemental facility agreement, respectively, pursuant to which such lender provided a revolving loan facility up to HK\$250,000,000 to the Company (the “201805 Facility”). The 201805 Facility is unsecured, for a term up to 30 June 2021 and bears interest at rate of 8% per annum. As at 30 June 2020, the amount of the outstanding principal and interest payable under the 201805 Facility were approximately HK\$157,708,000 (2019: approximately HK\$130,000,000) and approximately HK\$988,000 (2019: approximately HK\$2,670,000), respectively.
- (iii) On 10 August 2018 and 11 March 2019, the Company and an external lender entered into a standby loan facility agreement and a supplemental facility 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 rate of 8% per annum. As at 30 June 2020, the amount of the outstanding principal and interest payable under the 201808 Facility were HK\$250,000,000 (2019: approximately HK\$13,500,000) and approximately HK\$9,823,000 (2019: approximately HK\$1,108,000), respectively.
- (iv) On 9 September 2019, a wholly-owned subsidiary of the Group in the PRC and an external lender entered into a standby loan facility agreement, pursuant to which such lender provided a loan facility up to RMB4,000,000 (equivalent to approximately HK\$4,382,000) to a subsidiary in the PRC (the “201909 PRC Facility”). The 201909 PRC Facility is unsecured, for a term up to 9 September 2020 and bears interest at rate of 5% per annum. As at 30 June 2020, the amount of the outstanding principal and interest payable under the 201909 PRC Facility were approximately HK\$4,382,000 (equivalent to RMB4,000,000) and approximately HK\$139,000 (equivalent to approximately RMB127,000), respectively.
- (v) On 13 March 2020, a wholly-owned subsidiary of the Group in the PRC and an external lender entered into a standby loan facility agreement, pursuant to which such lender provided a loan facility up to RMB6,000,000 (equivalent to approximately HK\$6,573,000) to a subsidiary in the PRC (the “202003 PRC Facility”). The 202003 PRC Facility is unsecured, for a term up to 15 March 2021 and bears interest at rate of 5% per annum. As at 30 June 2020, the amount of the outstanding principal and interest payable under the 202003 PRC Facility were approximately HK\$3,407,000 (equivalent to approximately RMB3,110,000) and approximately HK\$28,000 (equivalent to approximately RMB25,000), respectively.

- (vi) On 20 March 2020, a subsidiary of the Group in the UK and the Football League Limited entered into a loan agreement, pursuant to which the Football League Limited provided a loan up to GBP584,000 (equivalent to approximately HK\$5,571,000) (the “Football Loan”). The Football Loan is unsecured and interest free. The Football Loan is repayable by six instalments commencing on 1 April 2021. As at 30 June 2020, the amount of the outstanding principal under the Football Loan was approximately HK\$5,571,000 (equivalent to GBP584,000).
- (vii) As at 30 June 2020, the total carrying amount of the borrowings of the Group was approximately HK\$487,442,000 (2019: approximately HK\$214,516,000). As at 30 June 2020, the Group had undrawn borrowing facility of approximately HK\$279,261,000 available to it (2019: approximately HK\$424,303,000).

16. SHARE CAPITAL

	<i>Note</i>	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 30 June 2019 and 30 June 2020		50,000,000,000	500,000
Issued and fully paid:			
At 1 July 2018		10,974,071,672	109,741
Issue of consideration shares	<i>(i)</i>	832,610,000	8,326
Issue of shares completion of rights issue	<i>(i)</i>	5,903,340,836	59,033
At 30 June 2019 and 30 June 2020		17,710,022,508	177,100

Note:

- (i) Details of movement in the issued share capital of the Company were disclosed in the Company’s 2019 annual report dated 30 September 2019.

17. CONTINGENT LIABILITIES

Player transfer costs

As at 30 June 2020, 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 2020 was approximately HK\$59,476,000 (equivalent to approximately GBP6,233,000) (2019: approximately HK\$43,513,000, equivalent to approximately GBP4,393,000).

18. EVENT AFTER THE REPORTING PERIOD

The Group had the following significant events subsequent to the end of the reporting period and up to the date of this announcement:

Acquisition of medical service business

On 31 July 2020, the Group has, through the acquisition of the entire issued share capital in two limited liability companies established in Japan, acquired their medical services business in Japan. The medical services business principally comprises of medical consultation and healthcare and wellness referral related series in Japan. Customers are mainly from overseas countries seeking medical services such as health checks, medical diagnosis and treatments in Japan. Details of which are set out in the announcement of the Company dated 31 July 2020.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

An extract of the Company's independent auditor's report for the year ended 30 June 2020 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 2020, 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\$260,484,000 for the year ended 30 June 2020 and as at 30 June 2020 the Group had net current liabilities HK\$573,454,000. 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 2020 (2019: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Performance and Results

For the year ended 30 June 2020, the revenue of the Group was approximately HK\$231.5 million (2019: approximately HK\$210.4 million), representing an increase of approximately 10.0% as compared with that for the year ended 30 June 2019.

The Group recorded a loss attributable to owners of the Company of approximately HK\$260.5 million for the year ended 30 June 2020, representing a decrease of approximately 27.8% as compared to the loss of approximately HK\$360.9 million for the year ended 30 June 2019. The decrease in loss was mainly attributable to the profit in transfer activities of players earned during the year amounting to approximately HK\$115.5 million, which was approximately HK\$73.4 million more than that earned in the year ended 30 June 2019.

The basic loss per share was approximately HK1.47 cents (2019: approximately HK2.66 cents).

Business Review and Prospect

The Group is principally engaged in three business segments: (i) operation of a professional football club in the UK, (ii) investment in properties, and (iii) provision of lottery system and online payment system service solutions.

(i) Football club

The Group operates Birmingham City Football Club (“BCFC” or the “Club”) in the UK. Revenue streams of BCFC comprised (i) match day receipts which consisted of season and match day tickets, (ii) broadcasting income, including distributions of broadcasting revenue from the English Football League (the “EFL”), cup competitions, solidarity payment from the Premier League 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 17th position in the EFL Championship Division for the season 2018/19, the Club continued to play in the highly competitive Championship Division in the season 2019/20 and was finished at the 20th position.

Since the outbreak of the novel coronavirus (COVID-19) pandemic (the “Outbreak”), the UK government implemented public health measures and taken various drastic actions in order to slowdown the spread of the Outbreak. On 3 April 2020, the football authorities in the UK including the EFL announced to postpone football competitions until it is safe to resume. The UK government subsequently gave the go-ahead to allow elite sporting events to return behind closed doors and the EFL championship season was resumed on the weekend of 20 June 2020. The Outbreak and the lockdown affected the sales performance of BCFC.

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 holds certain residential apartments and commercial properties in Phnom Penh, Cambodia. All the properties are leased out to secure a stable stream of income for the Group. During the year ended 30 June 2020, the Group recorded rental income of approximately HK\$24.8 million from the investment properties.

The Outbreak and the global lockdown hit the economic growth worldwide including Cambodia, and its real estate market has been slowed down in the second quarter this year considerably. During the year, the Group recorded a loss arising on changes in fair value on its investment properties of approximately HK\$22.4 million.

(iii) *Provision of lottery system and online payment system service solutions*

In July 2019, the Group acquired Wangmei Online (Beijing) Information & Technology Co., Ltd.* (網梅在綫(北京)信息技術有限公司) (“Wangmei Online”). Wangmei Online is a lottery system and online payment system service solutions provider. Leveraging on the expertise of Wangmei Online’s management team and its proprietary systems, the Group had secured local operators in Cambodia to provide system development and operation support services. During the year ended 30 June 2020, the Group recorded service income of approximately HK\$2.3 million from the provision of lottery system and online payment system service solutions.

The slowdown of business activities around the world caused by the Outbreak adversely affect the growth of the Group’s system service solution business. During the year ended 30 June 2020, the Group incurred an impairment loss on goodwill arising on acquisition of Wangmei Online amounted to approximately HK\$2.2 million. The loss was offset by the fair value gain on derivative financial instruments amounted to approximately HK\$5.5 million which represented the profit guarantee given by the vendor to the Group for the three years from 1 July 2019 to 30 June 2022 in relation to the acquisition of Wangmei Online.

The management has been ambitious to explore new business opportunities in different markets and industries that can enhance the performance of the Group. In July 2020, the Group completed the acquisition of a medical service business in Japan. The medical service business principally comprises the provision of medical consultation and healthcare and wellness referral related services in Japan. Customers are mainly from overseas countries seeking medical services such as health checks, medical diagnosis and treatments in Japan. The Group plans to build on the current structure of the medical service business acquired and strengthen and expand its existing business by further introducing high net worth customers from China to receive medical, wellness and other services in Japan with an aim to enhance its market share and market position, thereby forming an agglomeration of resources of Japan's medical industry. At the same time, with the help of the Internet, big data and artificial intelligence technologies, the Group will channel Japanese medical and wellness industry resources to China by means of online platform, e-commerce and new media promotion, and gradually build a medical institution that offers non-optional medical treatments differentiated with sophisticated services in China by reference to high-end medical services providers in Japan as its core business. The Group will actively acquire advanced technologies and talents in relevant segments and progressively expand its medical territory to other countries and regions to form a comprehensive international medical and healthcare system. The Company is keen on gradually building a new medical service segment in the future.

Looking ahead, the global economic environment remains complicated and volatile. In the light of lingering uncertainties over geopolitics and the Outbreak at the beginning of 2020 has interrupted the daily life of all people and order around the world. To prevent the spread of the Outbreak, many countries have imposed measures to restrict social activities and adopted policies to different extent to control entry into the territory which adversely affected the global economies. The Group's business outlook for the coming year is full of challenges and uncertainties as macroeconomic environment is badly affected by the Outbreak, and it will take time to rebuild the investor confidence. Looking forward, the Group's management will continue to adopt a cautious and disciplined approach in managing the Group's businesses, and to seize business opportunities in a prudent manner aiming to create value for the shareholders of the Company (the "Shareholders").

FINANCIAL REVIEW

Revenue

The revenue of the Group for the year ended 30 June 2020 was approximately HK\$231.5 million (2019: approximately HK\$210.4 million), representing an increase of approximately 10.0% over last year.

The Club recorded an increase in revenue, in terms of Pound Sterling, by approximately 2.6% over the corresponding period last year. The increase in the Club's revenue, however, was offset by the devaluation of Pound Sterling during the year ended 30 June 2020 which caused the revenue of the Club decreased by approximately 0.7% to approximately HK\$204.4 million in term of Hong Kong dollars.

The revenue derived from the investment properties for the year ended 30 June 2020 was approximately HK\$24.8 million (2019: approximately HK\$4.6 million), all of which was the rental income from the premises of the Group.

The revenue derived from the provision of lottery system and online payment system service solutions business for the year ended 30 June 2020 was approximately HK\$2.3 million (2019: nil).

Operating Expenses

Operating expenses incurred during the year ended 30 June 2020 were approximately HK\$449.9 million (2019: approximately HK\$470.4 million), representing a decrease of approximately 4.4% over last year.

The operating expenses of the Club for the year ended 30 June 2020 was approximately HK\$440.6 million (2019: approximately HK\$470.4 million), representing a decrease of approximately 6.3%. The decrease was mainly due to the Outbreak and the lockdown in the UK.

During the year ended 30 June 2020, the Group acquired a new business segment. The operating expenses of the new business segment was approximately HK\$9.3 million for the year ended 30 June 2020.

Other Income

Other income during the year ended 30 June 2020 was approximately HK\$14.6 million which was approximately 66.4% higher than that during the year ended 30 June 2019. The increase mainly represented the government subsidy received from the UK government due to the Outbreak and lockdown in the UK.

Profit on Sales of Players' Registration

Profit on sales of players' registration for the year ended 30 June 2020 was approximately HK\$115.5 million (2019: approximately HK\$42.1 million). The increase was mainly because higher revenue from sales of players were generated during the year ended 30 June 2020.

Amortisation of Intangible Assets

Amortisation of intangible assets during the year under review was approximately HK\$84.3 million representing an increase of approximately 10.1% over that of the previous year. The increase was primarily due to additional players' registration was incurred during the year as more players were signed and the amortisation of the software acquired during the year ended 30 June 2020.

Impairment of Goodwill

In accordance with the relevant requirement under “HKAS 36 – Impairment of Assets”, the Group performed impairment assessment on the goodwill arising from the acquisition of a subsidiary with the assistance of an external valuer. After conducting the impairment assessment, the Group recognised an impairment loss of goodwill of approximately HK\$2.2 million for the year ended 30 June 2020.

Fair value gain on derivative financial instruments

Derivative financial instruments represent the fair value of the profit guarantee in respect of the acquisition of Wangmei Online. The fair value gain on the derivative financial instruments was approximately HK\$5.5 million as at 30 June 2020, which was based on valuation performed by an independent firm of professional valuer which represents the difference between the guaranteed profit and the projected return during the guarantee period.

Administrative and Other Expenses

Administrative expenses for the year ended 30 June 2020 decreased by approximately 4.8% to approximately HK\$51.6 million (2019: approximately HK\$54.2 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.

Finance Costs

During the year under review, the Group incurred finance costs of approximately HK\$33.2 million (2019: approximately HK\$28.0 million), representing an increase of approximately 18.5% 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

Intangible assets comprise players’ registration, trademark and software. The Group had intangible assets as at 30 June 2020 amounted to approximately HK\$164.4 million, which was approximately 15.2% higher than as at 30 June 2019. The increase was primarily due to the additional players’ registration for the signing of new players amounted to approximately HK\$103.4 million and the software acquired during the year ended 30 June 2020 amounted to approximately HK\$19.0 million.

Right-of-use Assets and Lease Liabilities

The Group recognised the right-of-use assets and lease liabilities as at 30 June 2020 amounted to approximately HK\$24.2 million and HK\$29.4 million respectively, as a result of adoption of HKFRS 16 “Leases” since 1 July 2019. The Group’s lease agreements are in terms of fixed periods of 99 years for land and 3 to 5 years for others. Right-of-use assets are depreciated over the lease term on a straight-line basis. Accordingly, depreciation of right-of-use assets for the year was approximately HK\$4.7 million.

Inventories

The Group's inventories as at 30 June 2020 decreased by approximately 75.2% to approximately HK\$0.9 million, as a result of reduction in inventory purchase. 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 as at 30 June 2020 amounted to approximately HK\$5.3 million, representing a decrease of approximately 26.7% over that of the previous year. The decrease was mainly due to reduction in business income during lockdown in the UK and the additional provision made for impairment as at 30 June 2020.

Contingent Liabilities

Other than disclosed in note 17 above, the Group did not have any material contingent liabilities as at 30 June 2020.

Capital Expenditure and Commitments

During the year ended 30 June 2020, the Group incurred capital expenditure of approximately HK\$1.8 million, the majority of which were for purchase of property, plant and equipment. As at 30 June 2020, the Group had no significant capital commitment (2019: nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Financial Ratios

As at 30 June 2020, the Group's current ratio (calculated as by current assets divided by current liabilities) was 16.3% (2019: 44.0%) and the gearing ratio (calculated as total borrowings divided by equity attributable to owners of the Company plus total borrowings) was 59.9% (2019: 26.4%). The ratio of total liabilities to total assets of the Group was 71.7% (2019: 44.4%).

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 2020, the Group's bank balances and cash were approximately HK\$38.8 million (2019: approximately HK\$83.7 million), which were principally denominated in Hong Kong dollars, US dollars, Pound Sterling and Renminbi. As at 30 June 2020, the Group had total borrowings of approximately HK\$487.4 million (2019: approximately HK\$214.5 million), of which approximately HK\$482.6 million were repayable within one year (2019: approximately HK\$130.0 million). All borrowings were at fixed interest rates.

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.

Directors' Opinion on Sufficiency of Working Capital

As at 30 June 2020, the current liabilities of the Group exceeded current assets by approximately HK\$573.5 million (2019: approximately HK\$187.0 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, the PRC and the investment in Cambodia, which transactions, assets and liabilities are mostly denominated in Pound Sterling, US dollars and Renminbi. 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 2020, the balance of this bank deposit account was GBP800,000 (equivalent to approximately HK\$7,634,000) (2019: GBP800,000, equivalent to approximately HK\$7,924,000).

Save for the above, the Group had not charged other assets to secure its borrowings as at 30 June 2020.

Capital Structure

As at 30 June 2020, the Company had an issued capital of 17,710,022,508 shares of HK\$0.01 each in issue (2019: 17,710,022,508 shares).

HUMAN RESOURCES AND REMUNERATION POLICY

During the year ended 30 June 2020, the Group employed on average approximately 340 full time employees and approximately 470 temporary staff members in Hong Kong, the PRC and the UK (2019: approximately 279 full time employees and approximately 522 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. In addition, the Group provides other employee benefits including medical insurance, training subsidy, discretionary bonus and participation in the Company's share option scheme.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group'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 2020 as set out in the preliminary announcement of the Group's results for the year ended 30 June 2020 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

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management over the financial reporting system and internal control systems of the Group. The Audit Committee comprises three Independent Non-executive Directors, Mr. Yeung Chi Tat, Mr. Pun Chi Ping and Ms. Leung Pik Har, Christine. Mr. Yeung Chi Tat is the chairman of the Audit Committee. The Audit Committee has reviewed and discussed the annual results of the Group for the year ended 30 June 2020.

CORPORATE GOVERNANCE

The Company had complied with all the applicable provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the year ended 30 June 2020.

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 existing 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 2020.

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

During the year ended 30 June 2020, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Company at *www.bshl.com.hk* and the Stock Exchange's website at *www.hkexnews.hk*. The annual report of the Company will be published on the website of the Company and the Stock Exchange's 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, 30 September 2020

As at the date of this announcement, the Board comprises nine 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; and Mr. Pun Chi Ping, Ms. Leung Pik Har, Christine and Mr. Yeung Chi Tat as Independent Non-executive Directors.

* *for identification purpose only*