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## **BIRMINGHAM SPORTS HOLDINGS LIMITED**

**伯明翰體育控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2309)**

### **INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

The Board of Directors (the “Board”) of Birmingham Sports Holdings Limited (the “Company”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 31 December 2019 together with the comparative figures as follows:

#### **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 31 December 2019*

|  |              | <b>Six months ended 31 December</b> |                    |
|--|--------------|-------------------------------------|--------------------|
|  |              | <b>2019</b>                         | <b>2018</b>        |
|  | <i>Notes</i> | <b>HK\$'000</b>                     | <b>HK\$'000</b>    |
|  |              | <b>(Unaudited)</b>                  | <b>(Unaudited)</b> |
| <b>Revenue</b>                           | 4            | <b>133,990</b>                      | 116,420            |
| Operating expenses                       |              | <b>(239,341)</b>                    | (217,848)          |
| <b>Loss from operations</b>              |              | <b>(105,351)</b>                    | (101,428)          |
| Interest revenue                         |              | <b>4,164</b>                        | 352                |
| Other income                             | 6            | <b>3,709</b>                        | 3,852              |
| Profit on sales of players' registration |              | <b>116,204</b>                      | 3,330              |
| Amortisation of intangible assets        |              | <b>(41,301)</b>                     | (37,346)           |
| Administrative and other expenses        |              | <b>(28,575)</b>                     | (25,019)           |
| Share-based payments expense             |              | <b>(1,380)</b>                      | (3,017)            |
| Finance costs                            | 7            | <b>(13,677)</b>                     | (13,952)           |
| Share of loss of a joint venture         |              | <b>–</b>                            | (46)               |

|  |              | <b>Six months ended 31 December</b> |                    |
|--|--------------|-------------------------------------|--------------------|
|  |              | <b>2019</b>                         | <b>2018</b>        |
|  | <i>Notes</i> | <b>HK\$'000</b>                     | <b>HK\$'000</b>    |
|  |              | <b>(Unaudited)</b>                  | <b>(Unaudited)</b> |
| <b>Loss before taxation</b>  | 8            | <b>(66,207)</b>                     | (173,274)          |
| Income tax credit  | 9            | <u><b>360</b></u>                   | <u>129</u>         |
| <b>Loss for the period</b>   |              | <b>(65,847)</b>                     | (173,145)          |
| <b>Other comprehensive income/(expense)</b>  |              |                                     |                    |
| <i>Item that may be reclassified subsequently to profit or loss:</i>                         |              |                                     |                    |
| Exchange differences arising on translation of financial statements of overseas subsidiaries |              | <u><b>10,590</b></u>                | <u>(11,077)</u>    |
| <b>Total comprehensive expense for the period</b>  |              | <u><b>(55,257)</b></u>              | <u>(184,222)</u>   |
| <b>Loss for the period attributable to:</b>  |              |                                     |                    |
| Owners of the Company  |              | <b>(64,837)</b>                     | (168,942)          |
| Non-controlling interests  |              | <u><b>(1,010)</b></u>               | <u>(4,203)</u>     |
|  |              | <u><b>(65,847)</b></u>              | <u>(173,145)</u>   |
| <b>Total comprehensive expense for the period attributable to:</b>                           |              |                                     |                    |
| Owners of the Company  |              | <b>(54,705)</b>                     | (179,621)          |
| Non-controlling interests  |              | <u><b>(552)</b></u>                 | <u>(4,601)</u>     |
|  |              | <u><b>(55,257)</b></u>              | <u>(184,222)</u>   |
|  |              |                                     | (Restated)         |
| <b>Loss per share attributable to owners of the Company</b>                                  |              |                                     |                    |
| – Basic ( <i>HK cent(s)</i> )  | 11           | <u><b>(0.37)</b></u>                | <u>(1.37)</u>      |
| – Diluted ( <i>HK cent(s)</i> )  | 11           | <u><b>(0.37)</b></u>                | <u>(1.37)</u>      |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2019*

|  | <i>Notes</i> | <b>As at<br/>31 December<br/>2019<br/>HK\$'000<br/>(Unaudited)</b> | <b>As at<br/>30 June<br/>2019<br/>HK\$'000<br/>(Audited)</b> |
|--|--------------|--|--|
| <b>Non-current assets</b>                    |              |  |  |
| Property, plant and equipment                |              | 189,897  | 191,135  |
| Right-of-use assets                          |              | 11,986   | –  |
| Intangible assets                            |              | 218,539  | 142,743  |
| Goodwill                                     |              | 8,868  | –  |
| Investment properties                        | 12           | 553,020  | 553,020  |
| Deposits, prepayments and other receivables  |              | 49,319   | 473  |
|  |              | <b>1,031,629</b>   | <b>887,371</b>   |
| <b>Total non-current assets</b>              |              |  |  |
| <b>Current assets</b>                        |              |  |  |
| Inventories                                  |              | 3,174  | 3,449  |
| Trade receivables                            | 13           | 14,346   | 7,296  |
| Deposits, prepayments and other receivables  |              | 86,102   | 52,747   |
| Bank balances and cash                       |              | 51,346   | 83,652   |
|  |              | <b>154,968</b>   | <b>147,144</b>   |
| <b>Total current assets</b>                  |              |  |  |
| <b>Current liabilities</b>                   |              |  |  |
| Transfer fee payables                        |              | 53,979   | 26,693   |
| Trade payables                               | 14           | 23,576   | 23,394   |
| Accruals and other payables                  |              | 102,813  | 124,358  |
| Lease liabilities                            |              | 1,760  | –  |
| Deferred capital grants                      |              | 582  | 564  |
| Contract liabilities                         |              | 24,813   | 29,136   |
| Borrowings                                   | 15           | 289,902  | 130,004  |
|  |              | <b>497,425</b>   | <b>334,149</b>   |
| <b>Total current liabilities</b>             |              |  |  |
| <b>Net current liabilities</b>               |              | <b>(342,457)</b>   | <b>(187,005)</b>   |
| <b>Total assets less current liabilities</b> |              | <b>689,172</b>   | <b>700,366</b>   |

|  |           | <b>As at<br/>31 December<br/>2019<br/>HK\$'000<br/>(Unaudited)</b> | <b>As at<br/>30 June<br/>2019<br/>HK\$'000<br/>(Audited)</b> |
|--|-----------|--|--|
| <b>Non-current liabilities</b>               |           |  |  |
| Accruals and other payables                  |           | <b>880</b>   | 4,547  |
| Lease liabilities                            |           | <b>14,966</b>  | –  |
| Deferred capital grants                      |           | <b>14,057</b>  | 13,913   |
| Borrowings                                   | <i>15</i> | <b>110,689</b>   | 84,512   |
| Deferred tax liabilities                     |           | <b>26,948</b>  | 21,885   |
|  |           | <hr/>  | <hr/>  |
| Total non-current liabilities                |           | <b>167,540</b>   | 124,857  |
|  |           | <hr/>  | <hr/>  |
| <b>NET ASSETS</b>                            |           | <b>521,632</b>   | 575,509  |
|  |           | <hr/> <hr/>  | <hr/> <hr/>  |
| <b>Capital and reserves</b>                  |           |  |  |
| Share capital                                | <i>16</i> | <b>177,100</b>   | 177,100  |
| Reserves                                     |           | <b>366,516</b>   | 419,841  |
|  |           | <hr/>  | <hr/>  |
| Equity attributable to owners of the Company |           | <b>543,616</b>   | 596,941  |
| Non-controlling interests                    |           | <b>(21,984)</b>  | (21,432)   |
|  |           | <hr/>  | <hr/>  |
| <b>TOTAL EQUITY</b>                          |           | <b>521,632</b>   | 575,509  |
|  |           | <hr/> <hr/>  | <hr/> <hr/>  |

*NOTES:*

**1. BASIS OF PREPARATION**

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

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The functional currency of the Company is Hong Kong dollars (“HK\$”). The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars for the convenience of users of the unaudited condensed consolidated interim financial statements as the Company is listed in Hong Kong Special Administrative Region (“Hong Kong”) of the People’s Republic of China (the “PRC”).

**2. PRINCIPAL ACCOUNTING POLICIES**

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis, as modified by revaluation of investment properties, which are carried at their fair values. They are presented in HK\$ and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 30 June 2019. The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 31 December 2019 are the same as those followed in the preparation of the Group’s audited consolidated financial statements for the year ended 30 June 2019 except as stated below:

***Leases***

*The Group as lessee*

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset’s useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

|  |           |
|--|-----------|
| Freehold land and buildings              | 1% – 10%  |
| Furniture, fixtures and office equipment | 20% – 33% |
| Motor vehicles                           | 20%       |

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability. When a right-of-use asset meets the definition of "Investment property", it is included in "Investment properties". The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "Investment properties".

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.

#### *The Group as lessor*

The Group leases out its investment properties as the lessor of operating leases.

The accounting policies applicable to the Group as a lessor are not different from those under Hong Kong Accounting Standard ("HKAS") 17. The Group is not required to make any adjustments on transition to Hong Kong Financial Reporting Standard ("HKFRS") 16 for leases in which it acts as a lessor.

#### ***Going concern basis***

The Group incurred a loss attributable to owners of the Company of approximately HK\$64,837,000 for the six months ended 31 December 2019 and as at 31 December 2019 the Group had net current liabilities of approximately HK\$342,457,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The unaudited condensed consolidated interim financial statements have been prepared on a going concern basis. The directors of the Company (the "Directors") are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months given that (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 approximately HK\$504,462,000 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 31 December 2019, the total carrying amount of the borrowings under the above facilities of the Group was approximately HK\$400,402,000. As at 31 December 2019, the Group had available approximately HK\$354,060,000 undrawn borrowing facilities.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the unaudited condensed consolidated interim financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards 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 period and prior years except as stated below:

#### HKFRS 16 "Leases"

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 condensed consolidated statement of financial position on 1 July 2019, and the comparative information was not restated and continues to be reported under HKAS 17.

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<br>30 June 2019<br><i>HK\$'000</i> | Impact on<br>initial adoption<br>of HKFRS 16<br><i>HK\$'000</i> | As at<br>1 July 2019<br><i>HK\$'000</i> |
|--------------------------------|--|---|---|
| <b>Non-current assets</b>      |  |   |   |
| Right-of-use assets            | –  | 10,034  | 10,034                                  |
| <b>Current liabilities</b>     |  |   |   |
| Borrowings                     | 130,004                                  | (4)   | 130,000                                 |
| Lease liabilities              | –  | 1,117   | 1,117                                   |
| <b>Non-current liabilities</b> |  |   |   |
| 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%.

|   | <i>HK\$'000</i>                             |
|---|---|
| Operating lease commitment as at 30 June 2019   | <b>74,016</b>                               |
| <b>Add:</b>   |   |
| Finance lease payable   | <b>4,636</b>                                |
| <b>Less:</b>  |   |
| Commitment relating to leases with a remaining lease term ending on or before<br>30 June 2020 | <b>(5,892)</b>                              |
| Discounting   | <b>(58,090)</b>                             |
|   | <hr style="border-top: 1px solid black;"/>  |
| Lease liabilities recognised as at 1 July 2019  | <b>14,670</b>                               |
|   | <hr style="border-top: 3px double black;"/> |
| <br>Analysed as:  |   |
| Current   | <b>1,117</b>                                |
| Non-current   | <b>13,553</b>                               |
|   | <hr style="border-top: 1px solid black;"/>  |
|   | <b>14,670</b>                               |
|   | <hr style="border-top: 3px double black;"/> |

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

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

|   | Six months ended 31 December |                |
|---|------------------------------|----------------|
|   | 2019                         | 2018           |
|   | HK\$'000                     | HK\$'000       |
|   | (Unaudited)                  | (Unaudited)    |
| <b>Disaggregation of revenue:</b>                             |                              |                |
| <b>Revenue from contracts with customers:</b>                 |                              |                |
| <i>Recognised at a point in time</i>                          |                              |                |
| Commercial income   | 22,000                       | 24,032         |
| Match day receipts  | 9,702                        | 10,798         |
|   | <u>31,702</u>                | <u>34,830</u>  |
| <i>Recognised over time</i>                                   |                              |                |
| Commercial income   | 8,108                        | 7,904          |
| Broadcasting  | 50,542                       | 47,949         |
| Match day receipts  | 15,770                       | 16,038         |
| Lottery system and online payment<br>system service solutions | 1,759                        | –              |
|   | <u>76,179</u>                | <u>71,891</u>  |
|   | <u>107,881</u>               | <u>106,721</u> |
| <b>Revenue from other sources:</b>                            |                              |                |
| Commercial income   | 15,388                       | 9,035          |
| Rental income   | 10,721                       | 664            |
|   | <u>26,109</u>                | <u>9,699</u>   |
|   | <u>133,990</u>               | <u>116,420</u> |

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

## 5. SEGMENT INFORMATION

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

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

- (i) operation of a professional football club in the United Kingdom of Great Britain and Northern Ireland (the "UK"),
- (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:

#### Six months ended 31 December 2019

|                              | Football club<br><i>HK\$'000</i><br>(Unaudited) | Investment<br>in properties<br><i>HK\$'000</i><br>(Unaudited) | Lottery system<br>and online<br>payment<br>system<br>service<br>solutions<br><i>HK\$'000</i><br>(Unaudited) | Total<br><i>HK\$'000</i><br>(Unaudited) |
|------------------------------|---|---|---|---|
| <b>Segment revenue</b>       |   |   |   |   |
| External sales               | <u>121,510</u>                                  | <u>10,721</u>   | <u>1,759</u>  | <u>133,990</u>                          |
| <b>Results</b>               |   |   |   |   |
| Segment results              | <u>(33,862)</u>                                 | <u>10,487</u>   | <u>(2,435)</u>  | <u>(25,810)</u>                         |
| Interest revenue             |   |   |   | 12                                      |
| Other income                 |   |   |   | 174                                     |
| Corporate expenses           |   |   |   | (28,575)                                |
| Share-based payments expense |   |   |   | (1,380)                                 |
| Finance costs                |   |   |   | <u>(10,628)</u>                         |
| Loss before taxation         |   |   |   | (66,207)                                |
| Income tax credit            |   |   |   | <u>360</u>                              |
| Loss for the period          |   |   |   | <u><u>(65,847)</u></u>                  |

Six months ended 31 December 2018

|                                  | Football club<br><i>HK\$'000</i><br>(Unaudited) | Investment<br>in properties<br><i>HK\$'000</i><br>(Unaudited) | Total<br><i>HK\$'000</i><br>(Unaudited) |
|----------------------------------|---|---|---|
| <b>Segment revenue</b>           |   |   |   |
| External sales                   | 115,756   | 664   | 116,420                                 |
| <b>Results</b>                   |   |   |   |
| Segment results                  | (135,374)                                       | 430   | (134,944)                               |
| Interest revenue                 |   |   | 14                                      |
| Other income                     |   |   | 11                                      |
| Corporate expenses               |   |   | (25,019)                                |
| Share-based payments expense     |   |   | (3,017)                                 |
| Finance costs                    |   |   | (10,273)                                |
| Share of loss of a joint venture |   |   | (46)                                    |
| Loss before taxation             |   |   | (173,274)                               |
| Income tax credit                |   |   | 129                                     |
| Loss for the period              |   |   | (173,145)                               |

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.

## 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

|   | <b>Six months ended 31 December</b> |             |
|---|-------------------------------------|-------------|
|   | <b>2019</b>                         | 2018        |
|   | <b>HK\$'000</b>                     | HK\$'000    |
|   | <b>(Unaudited)</b>                  | (Unaudited) |
| <b>The UK</b>                               |                                     |             |
| Revenue from contracts with customers:      |                                     |             |
| <i>Recognised at a point in time</i>        | <b>31,702</b>                       | 34,830      |
| <i>Recognised over time</i>                 | <b>74,420</b>                       | 71,891      |
| Revenue from other sources                  | <b>15,388</b>                       | 9,035       |
|   | <b>121,510</b>                      | 115,756     |
| <b>The Kingdom of Cambodia ("Cambodia")</b> |                                     |             |
| Revenue from contracts with customers:      |                                     |             |
| <i>Recognised over time</i>                 | <b>1,759</b>                        | –           |
| Revenue from other sources                  | <b>10,721</b>                       | 664         |
|   | <b>12,480</b>                       | 664         |
|   | <b>133,990</b>                      | 116,420     |

### (ii) Non-current assets

|           | <b>As at</b>       | As at     |
|-----------|--------------------|-----------|
|           | <b>31 December</b> | 30 June   |
|           | <b>2019</b>        | 2019      |
|           | <b>HK\$'000</b>    | HK\$'000  |
|           | <b>(Unaudited)</b> | (Audited) |
| Hong Kong | <b>7,700</b>       | 9,090     |
| The PRC   | <b>28,982</b>      | 244       |
| Cambodia  | <b>553,020</b>     | 553,020   |
| The UK    | <b>441,927</b>     | 325,017   |
|           | <b>1,031,629</b>   | 887,371   |

## 6. OTHER INCOME

|  | Six months ended 31 December |              |
|--|------------------------------|--------------|
|  | 2019                         | 2018         |
|  | HK\$'000                     | HK\$'000     |
|  | (Unaudited)                  | (Unaudited)  |
| Subsidies received from the Premier League ( <i>Note</i> ) | 3,254                        | 3,552        |
| Reversal of provision for director's fee                   | 139                          | –            |
| Sundry income  | 316                          | 300          |
|  | <u>3,709</u>                 | <u>3,852</u> |

*Note:* During the six months ended 31 December 2019, the Group's professional football operation received funding of approximately HK\$3,254,000 (six months ended 31 December 2018: approximately HK\$3,552,000) from the Premier League in the UK under the Elite Player Performance Plan upon fulfillment of certain terms and conditions.

## 7. FINANCE COSTS

|  | Six months ended 31 December |               |
|--|------------------------------|---------------|
|  | 2019                         | 2018          |
|  | HK\$'000                     | HK\$'000      |
|  | (Unaudited)                  | (Unaudited)   |
| Interest expenses on:                        |                              |               |
| – Other borrowings                           | 10,610                       | 10,273        |
| – Notional interest on transfer fee payables | 2,283                        | 3,445         |
| – Finance leases                             | –                            | 234           |
| – Lease liabilities                          | 784                          | –             |
|  | <u>13,677</u>                | <u>13,952</u> |

## 8. LOSS BEFORE TAXATION

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

|   | Six months ended 31 December |             |
|---|------------------------------|-------------|
|   | 2019                         | 2018        |
|   | HK\$'000                     | HK\$'000    |
|   | (Unaudited)                  | (Unaudited) |
| Amortisation of intangible assets                           | 41,301                       | 37,346      |
| Depreciation of property, plant and equipment               | 8,351                        | 8,275       |
| Depreciation of right-of-use assets                         | 819                          | –           |
| Share-based payments expense                                | 1,380                        | 3,017       |
| Litigation claim settlement ( <i>Note</i> )                 | 510                          | –           |
| Minimum lease payments under operating lease in respect of: |                              |             |
| – Properties  | –                            | 3,413       |
| – Others  | –                            | 1,285       |
| Expenses related to short-term lease                        | 2,963                        | –           |
| Staff costs (including directors' remuneration)             | 174,723                      | 162,143     |

*Note:* 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 period and included in administrative and other expenses.

## 9. INCOME TAX CREDIT

|                  | Six months ended 31 December |             |
|------------------|------------------------------|-------------|
|                  | 2019                         | 2018        |
|                  | HK\$'000                     | HK\$'000    |
|                  | (Unaudited)                  | (Unaudited) |
| Deferred tax:    |                              |             |
| – Current period | 360                          | 129         |

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong during the six months ended 31 December 2019 and 2018.

The Group's subsidiaries in the UK are subject to Corporation Tax in the UK ("Corporation Tax"). No provision has been made in respect of Corporation Tax as these subsidiaries did not derive any assessable profits for the six months ended 31 December 2019 and 2018.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. No provision for profits tax is made in other jurisdictions as the subsidiaries operating in other jurisdictions have no assessable profits for the six months ended 31 December 2019 and 2018.

## **10. DIVIDEND**

No dividend was paid or proposed for the six months ended 31 December 2019 (six months ended 31 December 2018: nil), nor has any dividend been proposed since the end of the reporting periods.

## **11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY**

### ***Basic loss per share***

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the six months ended 31 December 2019 of approximately HK\$64,837,000 (six months ended 31 December 2018: approximately HK\$168,942,000) and the weighted average number of 17,710,022,508 (six months ended 31 December 2018: 12,314,279,919 (restated)) ordinary shares in issue during the period.

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the six months ended 31 December 2018 has been adjusted for the rights issue which took place during the year ended 30 June 2019.

### ***Diluted loss per share***

For the six months ended 31 December 2019 and 2018, the computation of diluted loss per share does not assume the exercise of share options as they would decrease the loss per share attributable to owners of the Company and have anti-dilutive effect.

## **12. INVESTMENT PROPERTIES**

The carrying amount of the Group's investment properties as at 31 December 2019 and 30 June 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. The fair values of the investment properties as at 31 December 2019 did not vary significantly from the valuation as of 30 June 2019. Accordingly, no fair value adjustment has been recognised in respect of the Group's investment properties for the six months ended 31 December 2019 (six months ended 31 December 2018: nil).

### 13. TRADE RECEIVABLES

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

|                      | As at<br>31 December<br>2019<br><i>HK\$'000</i><br>(Unaudited) | As at<br>30 June<br>2019<br><i>HK\$'000</i><br>(Audited) |
|----------------------|--|--|
| Within 30 days       | 6,096  | 1,457  |
| 31 days to 90 days   | 2,578  | 1,068  |
| 91 days to 180 days  | 3,943  | 940  |
| 181 days to 365 days | 1,729  | 3,831  |
|                      | <u>14,346</u>  | <u>7,296</u>   |

The average credit period of the Group's trade receivables is 90 days (30 June 2019: 90 days).

### 14. TRADE PAYABLES

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

|                      | As at<br>31 December<br>2019<br><i>HK\$'000</i><br>(Unaudited) | As at<br>30 June<br>2019<br><i>HK\$'000</i><br>(Audited) |
|----------------------|--|--|
| Within 30 days       | 7,408  | 9,180  |
| 31 days to 90 days   | 7,382  | 7,579  |
| 91 days to 180 days  | 6,053  | 3,154  |
| 181 days to 365 days | 2,733  | 3,481  |
|                      | <u>23,576</u>  | <u>23,394</u>  |

The Group normally receives credit periods from suppliers averaging at 90 days (30 June 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 31 December 2019, the amount of the borrowings from and interest payable to Trillion Trophy were approximately HK\$66,197,000 (30 June 2019: approximately HK\$66,197,000) and approximately HK\$5,392,000 (30 June 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 loan 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 31 December 2019, the amount of the outstanding principal and interest payable under the 201805 Facility were HK\$110,500,000 (30 June 2019: approximately HK\$130,000,000) and approximately HK\$7,169,000 (30 June 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 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 rate of 8% per annum. As at 31 December 2019, the amount of the outstanding principal and interest payable under the 201808 Facility were approximately HK\$220,136,000 (30 June 2019: approximately HK\$13,500,000) and approximately HK\$4,583,000 (30 June 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\$4,462,000) to the subsidiary in the PRC (the “PRC Facility”). The PRC Facility is unsecured, for a term up to 9 September 2020 and bears interest at rate of 5% per annum. As at 31 December 2019, the amount of the outstanding principal and interest payable under the PRC Facility were approximately HK\$3,569,000 (equivalent to approximately RMB3,200,000) and approximately HK\$32,000 (equivalent to approximately RMB29,000), respectively.
- (v) As at 31 December 2019, the total carrying amount of the borrowings of the Group was approximately HK\$400,591,000 (30 June 2019: approximately HK\$214,516,000). As at 31 December 2019, the Group had undrawn borrowing facility of approximately HK\$354,060,000 available to it (30 June 2019: approximately HK\$424,303,000).

## 16. SHARE CAPITAL

|  | <i>Note</i> | <b>Number of shares</b> | <b>Amount</b><br><i>HK\$'000</i> |
|--|-------------|-------------------------|----------------------------------|
| Ordinary shares of HK\$0.01 each   |             |                         |                                  |
| <b>Authorised:</b>   |             |                         |                                  |
| At 1 July 2018 (audited), 1 July 2019 (audited) and<br><b>31 December 2019 (unaudited)</b> |             | <u>50,000,000,000</u>   | <u>500,000</u>                   |
| <b>Issued and fully paid:</b>  |             |                         |                                  |
| At 1 July 2018 (audited)   |             | 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>  | <u>5,903,340,836</u>    | <u>59,033</u>                    |
| At 30 June 2019 (audited) and<br><b>31 December 2019 (unaudited)</b>                       |             | <u>17,710,022,508</u>   | <u>177,100</u>                   |

*Note:*

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

## 17. CONTINGENT LIABILITIES

As at 31 December 2019, the Group had the following contingent liabilities:

### **Player transfer costs**

Under the terms of certain contracts with other football clubs in respect of player transfers, additional player transfer cost would become payable if certain specific conditions are met. The maximum amount not provided that could be payable in respect of the transfers up to 31 December 2019 was approximately HK\$66,693,000 (equivalent to approximately GBP6,529,000) (30 June 2019: approximately HK\$43,513,000, equivalent to approximately GBP4,393,000).

## **INTERIM DIVIDEND**

The Board has resolved not to declare an interim dividend for the six months ended 31 December 2019 (six months ended 31 December 2018: nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### ***Performance and Results***

For the six months ended 31 December 2019, the revenue of the Group was approximately HK\$134.0 million (six months ended 31 December 2018: approximately HK\$116.4 million), representing an increase of 15.1% as compared with last year.

The Group recorded a loss attributable to owners of the Company of approximately HK\$64.8 million for the six months ended 31 December 2019, representing a decrease of 61.6% as compared to the loss of approximately HK\$168.9 million for the corresponding period last year. The decrease in loss was mainly attributable to the profit in transfer activities of players earned during the reporting period amounting to approximately HK\$116.2 million, which was approximately HK\$112.9 million more than that earned in the previous period.

The basic loss per share was approximately HK0.37 cents (six months ended 31 December 2018: approximately HK1.37 cents (restated)).

### ***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 the Club 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 (“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 continues to play in the highly competitive Championship Division in the season 2019/20. It is the 9th season in which the Club is playing in the Championship Division. As at the date of this announcement, the Club stood at the 14th position in the Championship Division for the current season. On 14 May 2019, BCFC received a notification from the EFL in connection with breaches of the EFL regulation arising from BCFC failure to comply with a business plan imposed by EFL as a result of a breach of the Profitability and Sustainability Rules of the EFL regulations in 2018. In November 2019, EFL referred the claim to an independent Disciplinary Commission. The hearing was held on 12 February 2020. Up to the date of this announcement, the decision of the Disciplinary Commission has not been handed down.

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 2017 and 2018. The construction of the commercial properties was completed and the properties were handed over to the Group in November 2018. The residential apartments were delivered to the Group in August 2019. The investment of commercial properties and residential apartments at One Park can 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.

During the period, the Group recorded rental income of approximately HK\$10.7 million from the investment properties.

(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”) (the “Acquisition”). Wangmei Online is a lottery system and online payment system service solutions provider. It has developed online and offline lottery system and online payment system (collectively, the “Systems”) which have been licensed to PRC lottery business operators. Its core management team possesses extensive experience in the lottery service industry. The Acquisition allows the Company to capitalise on the expertise, knowledge, know-how and the readily available Systems of Wangmei Online so as to tap into the lottery and online payment service industry, which the Company considers to have significant potential for development, immediately. While Wangmei Online will continue its business in the PRC, the Group will proactively explore cooperation opportunities with overseas lottery and online payment operators by leveraging on the business connections and experiences of the Group in other countries.

Since the Acquisition, the Group had secured local operators in Cambodia to provide system development and operation support services. During the period, the Group recorded service income of approximately HK\$1.8 million from the provision of lottery system and online payment system service solutions.

The global economy remained volatile and uncertain during the period under review. The instabilities in the European economy due to Brexit, rising trade barriers in particular the ongoing trade war and settlement negotiations between China and United States weighted on business sentiment and activities globally. Moreover, the recent outbreak of coronavirus will possibly further undermine the weak global economy. In order to alleviate the adverse impacts to the Group, the management will continue to support the Club by exploring all possible solutions in a keen but cautious approach, 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. The management will continue with its business strategy, to adopt measures to enhance its operational efficiencies and financial performance and to be ambitious but cautious in exploring different business opportunities, 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, and to enhance the financial structure of the Company so as to create value for the Shareholders.

## **FINANCIAL REVIEW**

### ***Revenue***

The revenue of the Group for the six months ended 31 December 2019 was approximately HK\$134.0 million (six months ended 31 December 2018: approximately HK\$116.4 million), representing an increase of approximately 15.1% over the same period last year.

The revenue from the Club for the six months ended 31 December 2019 was approximately HK\$121.5 million (six months ended 31 December 2018: approximately HK\$115.7 million), representing an increase of approximately 5.0% compared with the corresponding period in 2018.

The revenue derived from the investment properties for the six months ended 31 December 2019 was approximately HK\$10.7 million (six months ended 31 December 2018: approximately HK\$0.7 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 six months ended 31 December 2019 was approximately HK\$1.8 million (six months ended 31 December 2018: nil).

### ***Operating Expenses***

During the period, the overall operating expenses incurred during the period were approximately HK\$239.3 million, representing an increase of approximately 9.9% over the corresponding period in 2018. The increase was mainly due to (i) an increase in players' costs of the football club, and (ii) a new business segment acquired during the period.

### ***Other Income***

Other income during the period was approximately HK\$3.7 million, representing a decrease of nearly 3.7% when comparing with corresponding period in 2018. The decrease was primarily due to less subsidies were received from the Premier League during the period under review.

### ***Profit on Sales of Players' Registration***

Profit on sales of players' registration for the six months ended 31 December 2019 was approximately HK\$116.2 million (six months ended 31 December 2018: approximately HK\$3.3 million). The increase was mainly because higher revenue from sales of players were generated during the period.

### ***Amortisation of Intangible Assets***

Amortisation of intangible assets during the period under review was approximately HK\$41.3 million, representing an increase of approximately 10.6% over that of the corresponding period in 2018. The increase was primarily due to additional players' registration was incurred during the period as more players were signed, and the amortisation of the software acquired during the period.

### ***Administrative and Other Expenses***

Administrative and other expenses for the six months ended 31 December 2019, which included mainly depreciation charges, professional fees, staff costs and office overheads, increased by approximately 14.2% to approximately HK\$28.6 million as compared to that of the corresponding period in 2018. The management will continue to adopt stringent measures on control and management so as to maintain the administrative and other expenses at a reasonable level.

### ***Finance Costs***

During the period, the Group incurred finance costs of approximately HK\$13.7 million, representing a decrease of approximately 2.0% when comparing with the corresponding period in 2018. The decrease was primarily due to lower notional interest on transfer fee payables during the period.

### ***Contingent Liabilities***

Save as disclosed in note 17 above, the Group did not have any material contingent liabilities as at 31 December 2019.

### ***Capital Expenditure and Commitments***

During the period, the Group incurred capital expenditure of approximately HK\$1.6 million, the majority of which were for the purchase of property, plant and equipment.

As at 31 December 2019, the Group had no significant capital commitment (30 June 2019: nil).

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

### ***Financial Ratios***

As at 31 December 2019, the Group's current ratio (calculated as current assets divided by current liabilities) was approximately 31.2% (30 June 2019: approximately 44.0%) and the gearing ratio (calculated as total borrowings divided by equity attributable to owners of the Company plus total borrowings) was approximately 42.4% (30 June 2019: approximately 26.4%). The ratio of total liabilities to total assets of the Group was 56.0% (30 June 2019: approximately 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 31 December 2019, the Group's bank balances and cash were approximately HK\$51.3 million (30 June 2019: approximately HK\$83.7 million), which were principally denominated in Hong Kong dollars, US dollars, Pound Sterling and Renminbi. As at 31 December 2019, the Group's total carrying amount of borrowings was approximately HK\$400.6 million (30 June 2019: approximately HK\$214.5 million), of which approximately HK\$289.9 million were repayable within one year (30 June 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.

### ***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 31 December 2019, the balance on this bank deposit account was GBP800,000 (equivalent to approximately HK\$8,172,000) (30 June 2019: GBP800,000 which was equivalent to approximately HK\$7,924,000).

Save for the above, the Group had not charged other assets to secure its borrowings as at 31 December 2019.

### ***Capital Structure***

As at 31 December 2019, the Company had an issued capital of 17,710,022,508 shares of HK\$0.01 each in issue (30 June 2019: 17,710,022,508 shares).

## **HUMAN RESOURCES**

As at 31 December 2019, the Group employed approximately 326 full time employees and approximately 459 temporary staff members in Hong Kong, the PRC and the UK (30 June 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.

## **COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS**

On 14 May 2019, BCFC received a notification from the EFL in connection with breaches of the EFL regulation arising from BCFC failure to comply with a business plan imposed by EFL as a result of a breach of the Profitability and Sustainability Rules of the EFL regulations in 2018. In November 2019, EFL referred the claim to an independent Disciplinary Commission. The hearing was held on 12 February 2020. Up to the date of this announcement, the decision of the Disciplinary Commission has not been handed down.

## **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 throughout the six months ended 31 December 2019.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry with the Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code during the six months ended 31 December 2019.

## **AUDIT COMMITTEE**

Following the passing away of Mr. To Yan Ming, Edmond on 28 August 2019, the Company only had two Independent Non-executive Directors and thus the number of Independent Non-executive Directors and audit committee members fell below the minimum number required under Rules 3.10(1), 3.10A and 3.21 of the Listing Rules. Upon the appointment of Mr. Yeung Chi Tat (“Mr. Yeung”) as an Independent Non-executive Director on 8 November 2019, the Company had met the requirements set out in Rules 3.10(1), 3.10A and 3.21 of the Listing Rules.

As at the date of this announcement, the audit committee of the Company (the “Audit Committee”) comprises three Independent Non-executive Directors, namely Mr. Yeung, Mr. Pun Chi Ping and Ms. Leung Pik Har, Christine. Mr. Yeung is the chairman of the Audit Committee. The condensed consolidated interim financial statements of the Company for the six months ended 31 December 2019 have not been audited, but the Audit Committee has discussed with the management of the Company and the external auditor, ZHONGHUI ANDA CPA Limited, on the appropriateness and consistency of the accounting policies that have been adopted by the Company. In addition, ZHONGHUI ANDA CPA Limited has performed certain checking of accounting treatments and disclosure requirements in accordance with the request of the management regarding the interim results and interim report for the six months ended 31 December 2019 and reported to the management and the Audit Committee accordingly. The condensed consolidated interim financial statements of the Company for the six months ended 31 December 2019 have been reviewed by the Audit Committee and have been duly approved by the Board under the recommendation of the Audit Committee.

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

During the six months ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This announcement is published on the website of the Company at [www.bshl.com.hk](http://www.bshl.com.hk) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk). The interim 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, 28 February 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*