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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)**

### **VOLUNTARY ANNOUNCEMENT ACQUISITION OF A LOTTERY SERVICE SOLUTIONS COMPANY**

This is a voluntary announcement made by Birmingham Sports Holdings Limited (the “Company”, together with its subsidiaries, the “Group”).

#### **The Acquisition**

The Board of Directors of the Company (the “Board”) is pleased to announce that, on 23 July 2019 (after trading hours), Dooboo Tech Limited (多博科技有限公司) (the “Purchaser”, a wholly-owned subsidiary of the Company) entered into a share acquisition agreement (the “Agreement”) with 海南水石體育文化發展有限公司 (Hainan Waterstone Sports Culture Development Co., Ltd.\*, the “Vendor”) and 網梅在綫 (北京) 信息技術有限公司 (Wangmei Online (Beijing) Information & Technology Co., Ltd.\*, the “Target Company”), pursuant to which the Purchaser agreed to purchase and the Vendor agreed to sell the entire issued share capital in the Target Company at a total consideration (the “Consideration”) of RMB20 million (equivalent to approximately HK\$22.7 million) (the “Acquisition”). The parties to the Agreement further agreed that the Purchaser shall further inject approximately RMB6.3 million (equivalent to approximately HK\$7.2 million) to the Target Company as paid up capital after completion of the Acquisition (the “Capital Contribution”). Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company.

The Vendor has undertaken to the Purchaser that the lottery business of the Target Company shall achieve a cumulative audited net profit after taxation (“Profit”) of RMB30 million (equivalent to approximately HK\$34.1 million, the “Profit Target”) for the three years from 1 July 2019 to 30 June 2022 (the “Relevant Periods”). The parties to the Agreement further agreed that in the event that the lottery business only achieves an actual Profit for the Relevant Periods equivalent to 85% of the Profit Target or below, the Vendor shall compensate the Purchaser an amount (A) in cash calculated in accordance with the formula below:

$$A = ((\text{RMB30 million} - \text{actual Profit}) / \text{RMB30 million}) \times B, \text{ where } B \text{ is equivalent to the total amount of the Consideration and the Capital Contribution}$$

## **Background of the Target Company**

The Target Company is a limited company established in the People's Republic of China (the "PRC") in 2008, which principally engages in the provision of technology and operation service solutions and terminal equipment for lottery systems in the PRC. The lottery service solutions provided by the Target Company cover development, technological supports, monitoring and maintenance of lottery sales and operational systems as well as mobile payment system, sourcing of terminal equipment and design and development of lottery games. The customers of the Target Company are mainly lottery business operators in the PRC. Going forward, the Target Company will seek cooperation opportunities with overseas lottery business operators, such as those in Southeast Asia, Europe and Australia.

The core management team of the Target Company possesses over 10 years of experience in the lottery service industry. The Target Company has obtained ISO9001 certification for its quality management system and ISO27001 certification for its information security management activities of lottery-related software development and operational services.

## **Reasons for and benefits of the Acquisition**

The Company is engaged in investment holding and the principal activities of its major subsidiaries are the operation of a professional football club in the United Kingdom and investment in properties.

For the six months ended 31 December 2018, the football club business was still incurring substantial loss and required continual support by the Company. As disclosed in the interim report of the Company for the six months ended 31 December 2018, with an aim to broaden the business scope and scale of the Company, to reduce the risk associated with reliance on one single operation and to enhance the performance of the Group, the management of the Company has been ambitious in exploring development in different markets and industries.

According to figures published by the Ministry of Finance of the PRC, the PRC annual lottery sales in 2018 set a record high of approximately RMB511.5 billion, representing approximately 19.9% increase as compared to 2017. Despite the significant size of the PRC lottery market, the penetration rate of regulated lottery in the PRC remains comparatively low by international standards. Given that lottery participation in the PRC is well below that of developed markets such as Europe and the United States, there is enormous potential for future growth in the PRC's legal lottery market. At present, there are two government bodies which are authorised to issue lotteries in the PRC: sports lottery issued by China Sports Lottery Administration Centre and welfare lottery issued by China Welfare Lottery Issuing Centre, the lottery sales of which represented approximately 56.1% and 43.9% of the total lottery market in the PRC in 2018 respectively.

The Board considers that the Acquisition represents a valuable opportunity for the Group to achieve the foregoing aims by tapping into the lottery service solutions business after taking into account the experience of the Target Company and the prospects of the lottery market; and therefore the Acquisition is in the interests of the Company and its shareholders as a whole.

## **General information**

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquires, the Vendor and its ultimate beneficial owner(s) are independent third parties not connected with the Company and its connected persons. As none of the applicable percentage ratios exceed 5%, the Acquisition does not constitute a notifiable transaction for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

Hong Kong, 23 July 2019

*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. To Yan Ming, Edmond, Mr. Pun Chi Ping and Ms. Leung Pik Har, Christine as Independent Non-executive Directors.*

*For the purpose of this announcement and for illustrative purpose only, RMB is converted into HK\$ at the rate of HK\$1.135: RMB1.00, where appropriate.*

\* *for identification purpose only*