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BIRMINGHAM INTERNATIONAL HOLDINGS LIMITED

伯明翰環球控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2309)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

The Board of Directors (the “**Board**”) of Birmingham International Holdings Limited (the “**Company**”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 31 December 2016 together with the comparative figures for the corresponding period of the previous year:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2016

		Six months ended 31 December	
		2016	2015
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	5	94,533	95,142
Operating expenses		<u>(147,248)</u>	<u>(135,045)</u>
Loss from operations before amortisation		(52,715)	(39,903)
Other income	6	20,168	9,455
Profit on sales of players' registration		29	717
Amortisation of intangible assets		(7,883)	(3,220)
Administrative and other expenses		(16,334)	(19,419)
Finance costs	7	<u>(6,435)</u>	<u>(3,346)</u>
Loss before taxation	8	(63,170)	(55,716)
Income tax credit	9	<u>130</u>	<u>1,682</u>
Loss for the period		(63,040)	(54,034)

		Six months ended 31 December	
		2016	2015
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
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>(21,895)</u>	<u>(15,704)</u>
Total comprehensive expense for the period		<u>(84,935)</u>	<u>(69,738)</u>
Loss for the period attributable to:			
Owners of the Company		<u>(61,382)</u>	<u>(52,772)</u>
Non-controlling interests		<u>(1,658)</u>	<u>(1,262)</u>
		<u>(63,040)</u>	<u>(54,034)</u>
Total comprehensive expense attributable to:			
Owners of the Company		<u>(83,198)</u>	<u>(67,949)</u>
Non-controlling interests		<u>(1,737)</u>	<u>(1,789)</u>
		<u>(84,935)</u>	<u>(69,738)</u>
			(Restated)
Loss per share			
– Basic and diluted (HK cents)	<i>11</i>	<u>(2.37)</u>	<u>(10.90)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	<i>Notes</i>	As at 31 December 2016 HK\$'000 (Unaudited)	As at 30 June 2016 HK\$'000 (Audited and restated)
Non-current assets			
Property, plant and equipment		185,953	203,008
Intangible assets		90,120	82,259
Deposits, prepayments and other receivables		4,245	594
		<hr/>	<hr/>
Total non-current assets		280,318	285,861
		<hr/>	<hr/>
Current assets			
Inventories		2,826	2,672
Trade receivables	<i>12</i>	6,633	3,229
Deposits, prepayments and other receivables		42,965	55,793
Bank balances and cash		270,996	26,982
		<hr/>	<hr/>
Total current assets		323,420	88,676
		<hr/>	<hr/>
Current liabilities			
Transfer fee payables		14,165	8,572
Trade payables	<i>13</i>	10,635	6,878
Accruals and other payables		36,361	41,268
Deferred capital grants		543	592
Amounts due to former directors		5,571	10,769
Deferred income		23,079	22,790
Borrowings		139	259
Income tax payable		17,154	18,703
		<hr/>	<hr/>
Total current liabilities		107,647	109,831
		<hr/>	<hr/>
Net current assets/(liabilities)		215,773	(21,155)
		<hr/>	<hr/>
Total assets less current liabilities		496,091	264,706
		<hr/>	<hr/>

	<i>Notes</i>	As at 31 December 2016 HK\$'000 (Unaudited)	As at 30 June 2016 HK\$'000 (Audited and restated)
Non-current liabilities			
Transfer fee payables		61	2,598
Accruals and other payables		3,081	890
Deferred capital grants		14,744	16,371
Borrowings		39,290	150,527
Interest payable		12,571	–
Deferred tax liabilities		25,942	28,426
		<hr/>	<hr/>
Total non-current liabilities		95,689	198,812
		<hr/>	<hr/>
NET ASSETS		400,402	65,894
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Share capital	15	62,932	96,811
Reserves		338,847	(31,277)
		<hr/>	<hr/>
Equity attributable to owners of the Company		401,779	65,534
Non-controlling interests		(1,377)	360
		<hr/>	<hr/>
TOTAL EQUITY		400,402	65,894
		<hr/> <hr/>	<hr/> <hr/>

NOTES:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The principal activity of the Company is investment holding and the principal activity of its major subsidiary is engaged in the operation of a professional football club in the United Kingdom (“**UK**”).

The functional currency of the Group is Hong Kong dollars (“**HK\$**”) and that of those subsidiaries established in the UK is Great British Pounds (“**GBP**”). The condensed consolidated interim financial statements are presented in Hong Kong dollars for the convenience of users of the condensed consolidated interim financial statements as the Company is listed in Hong Kong.

2. BASIS OF PREPARATION

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

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis.

The condensed consolidated interim financial statements do not include all the information and disclosures required in a full set of financial statements, and should be read in conjunction with the Group’s audited consolidated financial statements for the year ended 30 June 2016 (“**2016 Annual Report**”).

The preparation of the condensed consolidated interim financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that were applied in preparing the 2016 Annual Report.

The accounting policies and method of computation used in the condensed consolidated interim financial statements for the six months ended 31 December 2016 are consistent with those followed in the preparation of the 2016 Annual Report.

For the six months ended 31 December 2016, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) effective for the accounting year beginning on 1 July 2016 issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated interim financial statements.

The application of the new and revised HKFRSs in the current period has had no material effect on the amounts reported and/or disclosures set out in the condensed consolidated interim financial statements.

The Group has not applied the new and revised HKFRSs that have been issued but have not come into effect. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. RESTATEMENT OF PRIOR YEAR'S FIGURES

- (a) As detailed in note 14(ii), the amount of HK\$120,000,000 has been reclassified from borrowings to convertible notes reserve as from 1 July 2015.

The following table discloses the restatement that has been made in order to reflect the above reclassification to each of the line items in the consolidated statement of financial position as at 30 June 2016 as previously reported in 2016 Annual Report.

- (b) Consolidated statement of financial position as at 30 June 2016

	As at 30 June 2016 (As previously reported) HK\$'000	Effect of prior year's restatement HK\$'000	As at 30 June 2016 (As restated) HK\$'000
Non-current assets			
Property, plant and equipment	203,008	–	203,008
Intangible assets	82,259	–	82,259
Deposits, prepayments and other receivables	594	–	594
Total non-current assets	<u>285,861</u>	<u>–</u>	<u>285,861</u>
Current assets			
Inventories	2,672	–	2,672
Trade receivables	3,229	–	3,229
Deposits, prepayments and other receivables	55,793	–	55,793
Bank balances and cash	26,982	–	26,982
Total current assets	<u>88,676</u>	<u>–</u>	<u>88,676</u>
Current liabilities			
Transfer fee payables	8,572	–	8,572
Trade payables	6,878	–	6,878
Accruals and other payables	41,268	–	41,268
Deferred capital grants	592	–	592
Amounts due to former directors	10,769	–	10,769
Deferred income	22,790	–	22,790
Borrowings	120,259	(120,000)	259
Income tax payable	18,703	–	18,703
Total current liabilities	<u>229,831</u>	<u>(120,000)</u>	<u>109,831</u>
Net current liabilities	<u>(141,155)</u>	<u>120,000</u>	<u>(21,155)</u>
Total assets less current liabilities	<u>144,706</u>	<u>120,000</u>	<u>264,706</u>

	As at 30 June 2016 (As previously reported) <i>HK\$'000</i>	Effect of prior year's restatement <i>HK\$'000</i>	As at 30 June 2016 (As restated) <i>HK\$'000</i>
Non-current liabilities			
Transfer fee payables	2,598	–	2,598
Accruals and other payables	890	–	890
Deferred capital grants	16,371	–	16,371
Borrowings	150,527	–	150,527
Deferred tax liabilities	28,426	–	28,426
	<hr/>		<hr/>
Total non-current liabilities	198,812	–	198,812
	<hr/>		<hr/>
NET (LIABILITIES)/ASSETS	(54,106)	120,000	65,894
	<hr/> <hr/>		<hr/> <hr/>
Capital and reserves			
Share capital	96,811	–	96,811
Reserves	(151,277)	120,000	(31,277)
	<hr/>		<hr/>
(Capital deficiency)/equity attributable to owners of the Company	(54,466)	120,000	65,534
Non-controlling interests	360	–	360
	<hr/>		<hr/>
(CAPITAL DEFICIENCY)/TOTAL EQUITY	(54,106)	120,000	65,894
	<hr/> <hr/>		<hr/> <hr/>

5. REVENUE AND SEGMENT INFORMATION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowance and exclude value added tax or other sales related taxes.

The Group's revenue and contribution to profit were mainly derived from the operation of a professional football club in the UK, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for the purposes of resources allocation and performance assessment. In addition, the principal assets employed by the Group are located in the UK. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Entity-wide disclosures

Information about the nature of revenue

	Six months ended 31 December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Broadcasting	40,316	34,806
Commercial income	31,661	33,730
Match day receipts	22,556	26,606
	<u>94,533</u>	<u>95,142</u>

6. OTHER INCOME

	Six months ended 31 December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Compensation from player transfer	5,019	–
Gain on disposals of property, plant and equipment	–	112
Gain on settlement with a former director (note (i))	2,198	–
Interest income	351	77
Reversal of directors' fee	714	–
Reversal of excess provision for donation	5,620	5,970
Subsidies received from the Premier League (note (ii))	3,075	2,965
Sundry income	3,191	331
	<u>20,168</u>	<u>9,455</u>

Notes:

- (i) During the six months ended 31 December 2016, a former director had accepted an offer of HK\$3,000,000 from the Group for full and final settlement of the claims totaling approximately HK\$5,198,000 claimed by the former director, resulting in a gain of approximately HK\$2,198,000 from this settlement with the former director.
- (ii) During the six months ended 31 December 2016, the Group's professional football operation received funding of approximately HK\$3,075,000 (six months ended 31 December 2015: approximately HK\$2,965,000) 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	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses on:		
– Other borrowings	5,439	3,329
– Finance leases	14	17
– Effective interest on convertible notes	982	–
	6,435	3,346
	6,435	3,346

8. LOSS BEFORE TAXATION

Loss before taxation is arrived after charging the following items:

	Six months ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	7,883	3,220
Depreciation of property, plant and equipment	4,241	6,021
Minimum lease payments under operating lease in respect of:		
– Properties	727	1,273
– Others	1,052	1,331
Staff costs (including directors' remuneration)		
– Salaries and wages	89,822	75,583
– Retirement benefits scheme contributions	9,555	8,571
	99,377	84,154
	99,377	84,154

9. INCOME TAX CREDIT

	Six months ended 31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Deferred taxation – UK		
Current period	<u>130</u>	<u>1,682</u>

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising from Hong Kong during the six months ended 31 December 2016 and 2015.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The Group's subsidiaries in the UK are subject to Corporation Tax in the UK. 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 2016 and 2015.

10. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 31 December 2016 (six months ended 31 December 2015: nil).

11. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the six months ended 31 December 2016 attributable to owners of the Company of approximately HK\$61,382,000 (six months ended 31 December 2015: approximately HK\$52,772,000) and the weighted average number of 2,588,202,711 (six months ended 31 December 2015: 484,054,336 (restated)) ordinary shares in issue during the period.

The weighted average number of shares adopted in the calculation of the basic loss per share for the six months ended 31 December 2015 has been adjusted to reflect the impact of the share consolidation which became effective on 7 September 2016 and of the open offer which was completed on 11 October 2016.

The computations of diluted loss per share for the six months ended 31 December 2016 and 2015 are the same as the basic loss per share as the impact of the convertible notes outstanding had an anti-dilutive effect.

12. TRADE RECEIVABLES

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

	As at 31 December 2016 HK\$'000 (Unaudited)	As at 30 June 2016 HK\$'000 (Audited)
Within 30 days	1,743	728
31 to 90 days	1,810	958
91 to 180 days	2,539	575
181 to 365 days	541	968
	<u>6,633</u>	<u>3,229</u>

The average credit period of the Group's trade receivables is 90 days.

13. TRADE PAYABLES

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

	As at 31 December 2016 HK\$'000 (Unaudited)	As at 30 June 2016 HK\$'000 (Audited)
Within 30 days	5,683	6,005
31 to 90 days	3,484	455
91 days to 180 days	1,279	101
181 days to 365 days	189	317
	<u>10,635</u>	<u>6,878</u>

The Group normally receives credit periods from suppliers averaging at 90 days.

14. CONVERTIBLE NOTES

HK\$'000

Convertible notes reserve

At 1 July 2015 (audited and restated), 31 December 2015 (unaudited and restated) and 1 July 2016 (audited and restated)	232,500
Equity component of convertible notes issued	26,440
Conversion into ordinary shares	(258,940)
At 31 December 2016 (unaudited)	<u>–</u>

The principal terms of the convertible notes are as follows:

	Debt CN/ CY Unconverted Note	U-Continent CN/ UC Unconverted Note	New CN (iii)
<i>Notes</i>	<i>(i)</i>	<i>(ii)</i>	
Maturity date	31 December 2016	31 December 2016	10 October 2019
Principal amount when issued	HK\$193,500,000	HK\$175,000,000	HK\$150,000,000
Interest rate	zero	zero	2%
Conversion price	HK\$0.41	HK\$0.41	HK\$0.08
Conversion period	5 February 2014 to 31 December 2016	5 February 2014 to 31 December 2016	11 October 2016 to 10 October 2019

Notes:

- (i) On 20 December 2013, the Company and Mr. Yeung Ka Sing, Carson (“**Mr. Yeung**”) agreed to capitalise the debt owed by the Company of HK\$193,500,000 to Mr. Yeung (which had been novated from a subsidiary of the Company) by issuing a zero coupon convertible note (the “**Debt CN**”). The Debt CN is non-redeemable and could be converted to a total of approximately 6,450,000,000 ordinary shares of the Company at a conversion price of HK\$0.03 per conversion share. On 14 November 2014, the Debt CN of the principal amount of HK\$81,000,000 was converted into 2,700,000,000 ordinary shares of the Company at the conversion price of HK\$0.03 per conversion share. As at 30 June 2015, the Debt CN in the principal amount of HK\$112,500,000 was outstanding and remaining unconverted (the “**CY Unconverted Note**”).

By a writ of summons dated 13 July 2015, the Company and Birmingham City Football Club PLC (“**BCFC**”) commenced legal proceedings against Mr. Yeung under High Court Action No.1590 of 2015 claiming a total of more than HK\$100,000,000 from Mr. Yeung for various breaches of duties whilst he was a director of the Company and BCFC.

References are made to the announcements of the Company dated 14 March 2016, 6 June 2016 and the Company’s circular dated 5 August 2016 (the “**Circular**”). On 8 March 2016, the Company, together with BCFC, entered into a settlement agreement with Mr. Yeung and Mr. Ryan Yeung (son of Mr. Yeung) (the “**CY Settlement Agreement**”) pursuant to which, among others, subject to and conditional upon the fulfilment of the conditions precedent thereto (details of which are set out in the section headed “Conditions precedent to the CY

Settlement Agreement” of the Circular), the Company agreed to extend the maturity date of the CY Unconverted Note from 4 February 2016 to 31 December 2016 or to such other date as the parties to the settlement agreement may agree in writing (with all the other terms and conditions of the Debt CN remaining unchanged).

Pursuant to the terms and conditions of the Debt CN, the initial conversion price of the Debt CN, being HK\$0.03 per conversion share, would be adjusted to an adjusted conversion price of HK\$0.41 per share after taking into account the effects of the share consolidation and the open offer (details of the adjustments are set out in the section headed “Adjustments to the Conversion Price of the Existing Convertible Notes” of the Circular). Based on the adjusted conversion price of HK\$0.41 per conversion share, a total of 274,390,243 shares would be issued upon (i) the fulfilment of the conditions precedent as stated in the section headed “Conditions precedent to the CY Settlement Agreement” of Circular; and (ii) the full exercise of the conversion rights under the CY Unconverted Note.

On 17 October 2016, the abovementioned conditions precedent were fulfilled upon the resumption of trading of the shares of the Company on the Stock Exchange.

In December 2016, CY Unconverted Note in the principal amount of HK\$112,500,000 was converted into 274,390,243 ordinary shares of the Company at a conversion price of HK\$0.41 per conversion share (note 15(iv)).

- (ii) On 5 February 2014, the Company issued a zero coupon convertible note (the “**First CN**”) of principal amount of HK\$50,000,000 to U-Continent Holdings Limited (“**U-Continent**”). On 21 February 2014, the First CN of the principal amount of HK\$10,000,000 was converted into 333,333,333 ordinary shares of the Company at the conversion price of HK\$0.03 per conversion share. In February and April 2014, the Company issued a zero coupon convertible note (the “**Second CN**”) (the First CN and the Second CN, collectively the “**U-Continent CN**”) in two tranches of aggregate principal amount of HK\$125,000,000 to U-Continent. The first tranche of the Second CN of principal amount of HK\$105,000,000 was issued on 5 February 2014 and the second tranche of the Second CN of principal amount of HK\$20,000,000 was issued on 14 April 2014. On 9 October 2014, the Second CN of the principal amount of HK\$45,000,000 was converted into 1,500,000,000 ordinary shares of the Company at the conversion price of HK\$0.03 per conversion share. As at 30 June 2015, the First CN and the Second CN of aggregate principal amount of HK\$120,000,000 was outstanding and remaining unconverted (the “**UC Unconverted Note**”).

Reference is made to the announcement of the Company dated 21 July 2015. On 21 July 2015, the Company had instituted legal proceedings against U-Continent in connection with alleged misrepresentations made by U-Continent in relation to the agreements of the First CN and the Second CN entered into between the Company and U-Continent (collectively, the “**Agreements**”) under which U-Continent subscribed convertible notes of aggregate principal amount of HK\$175,000,000 issued by the Company. By a letter to U-Continent dated 20 July 2015, the Company rescinded the Agreements and on 21 July 2015 issued a writ of summons against U-Continent under High Court Action No. 1648 of 2015 claiming for loss and damages suffered by the Company as a result of the alleged misrepresentations.

As a result of the above legal action, the Company had classified the UC Unconverted Note of the principal amount of HK\$120,000,000 as an amount due to U-Continent and was included as borrowings in the Company's financial statements of the prior financial periods.

References are made to the announcements of the Company dated 26 April 2016, 6 June 2016 and the Circular. On 12 April 2016, the Company entered into a settlement agreement with U-Continent pursuant to which, among others, subject to and conditional upon the fulfilment of the conditions precedent thereto (details of which are set out in the section headed "Conditions precedent to the UC Settlement Agreement" of the Circular), the Company agreed to extend the maturity date of the UC Unconverted Note from 4 February 2016 to 31 December 2016 or to such other date as the parties to the settlement agreement may agree in writing (with all the other terms and conditions of the U-Continent CN remaining unchanged).

Pursuant to the terms and conditions of the U-Continent CN, the initial conversion price of the U-Continent CN, being HK\$0.03 per conversion share, would be adjusted to an adjusted conversion price of HK\$0.41 per conversion share after taking into account the effects of the share consolidation and the open offer (details of the adjustments are set out in the section headed "Adjustments to the Conversion Price of the Existing Convertible Notes" of the Circular). Based on the adjusted conversion price of HK\$0.41 per conversion share, a total of 292,682,925 shares would be issued upon (i) the fulfilment of the conditions precedent as stated in the section headed "Conditions precedent to the UC Settlement Agreement" of the Circular; and (ii) the full exercise of the conversion rights under the UC Unconverted Note.

On 17 October 2016, the abovementioned conditions precedent were fulfilled upon the resumption of trading of the shares of the Company on the Stock Exchange.

In October 2016, the UC Unconverted Note in the aggregate principal amount of HK\$120,000,000 was converted into 292,682,925 ordinary shares of the Company at a conversion price of HK\$0.41 per conversion share (note 15(iv)).

As a result of the above, the amount of HK\$120,000,000 has been reclassified from borrowings to convertible notes reserve as from 1 July 2015.

- (iii) On 11 October 2016, the Company issued convertible notes (the "New CN") with a principal amount of HK\$150,000,000, convertible into 1,875,000,000 ordinary shares of the Company at a conversion price of HK\$0.08 per conversion share for setting off against the drawn down amount of the term loan facility provided by Trillion Trophy Asia Limited ("**Trillion Trophy**") to the Company. The New CN would be matured on 10 October 2019 and were interest bearing at 2% per annum.

The effective interest rate used to estimate the liability component of the New CN is 8.7% per annum.

In October and December 2016, the New CN in principal amount of HK\$100,000,000 and HK\$50,000,000 were converted into 1,250,000,000 and 625,000,000 ordinary shares of the Company at a conversion price of HK\$0.08 per conversion share respectively (note 15(iv)).

The nominal value of the New CN issued had been split between the liability component and equity component as follows:

	<i>HK\$'000</i>
Nominal value of the New CN issued	150,000
Equity component	<u>(26,440)</u>
Liability component at the date of issue	123,560
Interest charged for the six months ended 31 December 2016 calculated at an effective interest rate of 8.7% per annum	982
Interest payable for the six months ended 31 December 2016	(274)
Conversion of the New CN	<u>(124,268)</u>
Liability component at 31 December 2016	<u><u>–</u></u>

15. SHARE CAPITAL

	<i>Notes</i>	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each			
Authorised:			
At 1 July 2015 (audited), 31 December 2015 (unaudited) and 1 July 2016 (audited)		50,000,000,000	500,000
Share consolidation	<i>(i)</i>	(47,500,000,000)	–
Capital reduction	<i>(i)</i>	–	(475,000)
Authorised share capital cancellation	<i>(i)</i>	(2,015,945,664)	(20,159)
Authorised share capital increase	<i>(i)</i>	<u>49,515,945,664</u>	<u>495,159</u>
At 31 December 2016 (unaudited)		<u><u>50,000,000,000</u></u>	<u><u>500,000</u></u>
Issued and fully paid:			
At 1 July 2015 (audited), 31 December 2015 (unaudited) and 1 July 2016 (audited)		9,681,086,733	96,811
Capital reorganisation	<i>(i)</i>	<u>(9,197,032,397)</u>	<u>(91,970)</u>
		484,054,336	4,841
Issue of shares upon share subscription	<i>(ii)</i>	3,125,000,000	31,250
Issue of shares upon open offer	<i>(iii)</i>	242,027,168	2,420
Issue of shares upon conversion of convertible notes	<i>(iv)</i>	<u>2,442,073,168</u>	<u>24,421</u>
At 31 December 2016 (unaudited)		<u><u>6,293,154,672</u></u>	<u><u>62,932</u></u>

Notes:

- (i) The capital reorganisation of the Company which became effective on 7 September 2016 comprised the following:

Share consolidation

The share consolidation was implemented to consolidate every twenty issued and unissued shares of the Company of HK\$0.01 each into one share (the “**Consolidated Share(s)**”) of HK\$0.20 each. As a result, 9,681,086,733 issued shares of the Company were consolidated into 484,054,336 Consolidated Shares of HK\$0.20 each.

Capital reduction

The capital reduction involved a reduction in the nominal value of each of the issued Consolidated Shares from HK\$0.20 per Consolidated Share to HK\$0.01 per new share by cancelling HK\$0.19 of the capital paid up on each issued Consolidated Share, which gave rise to a credit of approximately HK\$91,970,000 on the basis of 484,054,336 Consolidated Shares then in issue. Such credit was approved by the Grand Court of the Cayman Islands (“**Grand Court**”) to set off part of the accumulated losses of the Company.

Share premium cancellation

As approved by the Grand Court, the entire amount of approximately HK\$1,272,710,000 standing to the credit of the share premium account of the Company as at 30 June 2016 was cancelled and applied to set off part of the accumulated losses of the Company as at 30 June 2016.

Authorised share capital cancellation

Immediately following the capital reduction and share premium cancellation, all the existing authorised but unissued shares were cancelled in their entirety.

Authorised share capital increase

The authorised share capital of the Company was increased from HK\$4,840,543.36 divided into 484,054,336 shares of HK\$0.01 each to HK\$500,000,000.00 divided into 50,000,000,000 shares of HK\$0.01 each.

- (ii) Share subscription

Completion of the share subscription took place on 11 October 2016 pursuant to which 3,125,000,000 subscription shares with par value of HK\$0.01 each were issued to Trillion Trophy, the controlling shareholder of the Company, at the subscription price of HK\$0.08 per subscription share. Accordingly, the Company’s issued share capital was increased by HK\$31,250,000 and its share premium account was increased by HK\$218,750,000. The transaction costs related to the share subscription were approximately HK\$112,000.

- (iii) Open offer

Completion of the open offer on the basis of one offer share for every two shares held by the qualifying shareholders of the Company after the completion of the capital reorganisation at the subscription price of HK\$0.08 per offer share with par value of HK\$0.01 each took place on 11 October 2016 pursuant to which 242,027,168 offer shares were issued under the open offer. Accordingly, the Company’s issued share capital was increased by approximately HK\$2,420,000 and its share premium account was increased by approximately HK\$16,942,000. The transaction costs related to the open offer were approximately HK\$508,000.

(iv) Conversion of convertible notes

During the period under review, CY Unconverted Note, UC Unconverted Note and New CN in principal amount of HK\$112,500,000, HK\$120,000,000 and HK\$150,000,000 were converted into 274,390,243, 292,682,925 and 1,875,000,000 ordinary shares of the Company at a conversion price of HK\$0.41, HK\$0.41 and HK\$0.08 per conversion share respectively. The transaction costs related to the conversion of convertible notes were approximately HK\$7,000.

16. CONTINGENT LIABILITIES

Other than disclosed elsewhere in this announcement, at the end of the reporting period, the Group had the following contingent liabilities:

(a) **Player transfer costs**

Under the terms of certain contracts with other football clubs in respect of player transfers, additional player transfer cost would become payable if certain specific conditions are met. The maximum amount not provided that could be payable in respect of the transfers up to 31 December 2016 was approximately HK\$47,536,000 (equivalent to approximately GBP4,988,000). From the end of the reporting period and up to the date of this announcement, approximately HK\$953,000 (equivalent to GBP100,000) of these amounts have been crystallised.

(b) **Litigation: High Court Action No. 1099 of 2013**

On 9 May 2013, Mr. Lee Yiu Tung (“**Mr. Lee**”), a former executive director of the Company, filed a claim with the Labour Tribunal of Hong Kong against the Company for, amongst others, unpaid wages, wages in lieu of notice and expenses allegedly paid by him on behalf of the Company for a sum of approximately HK\$1,484,000. The Company made a counterclaim against Mr. Lee on 8 October 2013 in respect of, amongst others, wages paid to him in the aggregate sum of HK\$240,000 for the months from July to October 2012 and reimbursement of out-of-pocket expenses paid by the Company to him during 2010 to 2012 totaling approximately HK\$2,000,000 for business and projects not related to the Company. On 4 June 2013, the Labour Tribunal of Hong Kong made an order to transfer the case to the High Court of Hong Kong (“**High Court**”).

At a case management conference held on 12 October 2016 at the High Court, the High Court directed that the case management conference be adjourned to 5 April 2017, and ordered that (i) the Company and Mr. Lee (collectively the “**Parties**”) should exchange their witness statements by 28 November 2016; (ii) the parties should obtain Counsel’s advice within 28 days thereafter; and (iii) all interlocutory applications should be taken out within 14 days thereafter.

Subsequently, considering the lack of particulars in the statement of claim filed by Mr. Lee, the Company filed and served a request for further and better particulars of the statement of claim on 6 January 2017. On 16 January 2017, Mr. Lee also filed and served a request for further and better particulars of the defence and counterclaim filed by the Company. Both requests have yet to be answered. In the meantime, the deadline for the Parties to exchange their witness statements have been extended to 16 March 2017. The 4th case management conference will be proceeded on 5 April 2017.

As at the date of this announcement, the legal proceedings between the Parties are still in progress.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 December 2016 (six months ended 31 December 2015: nil)

MANAGEMENT DISCUSSION AND ANALYSIS

Performance and Results

For the six months ended 31 December 2016, the revenue of the Group was approximately HK\$94.5 million which was about the same as that of the corresponding period last year. The loss incurred during the period under review increased by 17% to approximately HK\$63 million.

Business Review

The principal activity of the Group is the operation of Birmingham City Football Club (the “**Club**”) in the UK. Revenue streams of the Group comprised (i) match day receipts which consisted of season and match day tickets, (ii) broadcasting revenue, including distributions from the Football Association Premier League and English Football League broadcasting agreements, cup competitions and revenue from the media, and (iii) commercial income which comprised sponsorship income, corporate hospitality, merchandising, conferences and events and other sundry income.

Following a finish at the 10th position in the Championship Division for the season 2015/2016, the Club started well in season 2016/2017 and had been maintaining its position within top 10 in the Championship Division most of the time during the period under review whilst it is standing at the 14th position as of today. As a result of the increase in distributions from Football Association Premier League and the growth in income from commercial activities, the Club recorded an increase in revenue, which primarily denominated in Great British Pounds, by 16% over the corresponding period last year. The increase in the Club’s revenue, however, was more than offset by the devaluation of Great British Pounds during the period under review. For the six months ended 31 December 2016, the revenue of the Group was approximately HK\$94.5 million which was about the same as that of the corresponding period last year.

During the period under review, the Club had signed several new players as well as the new club manager to enhance the competitiveness of the squad. The management believes the pedigree, philosophy and ambition of the new members fits with what the Club would like to achieve as it moves in a new direction. With the introduction of new players, the management is optimistic that the performance of the Club can be improved on and off the field.

The Birmingham City Football Academy has continued to operate at Category 2 status under the Elite Player Performance Plan and that a number of academy trained players continued to be involved in the first team squad.

For the six months ended 31 December 2016, the Group incurred a loss of approximately HK\$63 million as compared to a loss of approximately HK\$54 million for the corresponding period last year. The increase in loss was mainly caused by the increase in operating costs, in particular the higher spending on players' registration fees and the Club's staff costs due to the recruitment of new players and manager for the Club and the increase in finance costs during the period under review.

Resumption of Trading and Business Prospect

References are made to the Circular and the prospectus of the Company dated 15 September 2016 (the "**Prospectus**") and the announcements of the Company dated 7 October 2016, 11 October 2016 and 14 October 2016 in relation to, among others, the proposed restructuring, fulfillment of resumption conditions and resumption of trading of shares of the Company on the Stock Exchange.

The Board is pleased to report that all the conditions set out in the resumption proposal as approved by the Stock Exchange were fulfilled and trading of shares of the Company have been resumed on 17 October 2016. Moreover, the Receivership Order of the High Court dated 16 February 2015 was discharged and the receivers appointed under the Receivership Order were released on 17 October 2016.

Following completion of the Share Subscription (as defined below) by Trillion Trophy, it has become the controlling shareholder of the Company. As at the date of this announcement, Trillion Trophy is interested in 3,825,000,000 shares of the Company, representing approximately 60.78% of the issued share capital of the Company. New board members and management team were also engaged to oversee the business operation and formulating future business plans and strategies of the Company. Leveraging on the experience of the new management, the Company will further develop its principal football business and strive to enhance the operation and business value of the existing operation. The new management also endeavors to identify attractive business opportunities to broaden the income stream of the Group, in particular in business areas including sports, sports education, culture as well as online games and entertainment, with an aim to enhance the business model of the Group as well as to achieve better return for the shareholders of the Company (the "**Shareholders**") as a whole.

Financial Review

Group's Liquidity and Financial Resources

As at 31 December 2016, the Group's current ratio (as defined by current assets divided by current liabilities) was 300% (30 June 2016: 81% (restated)) and the gearing ratio (as defined by total borrowings divided by equity plus total borrowings) was 9% (30 June 2016: 70% (restated)). The ratio of total liabilities to total assets of the Group was 34% (30 June 2016: 82% (restated)).

On 26 June 2015 and 31 May 2016, the Company entered into a loan facility agreement (the "**Loan Facility Agreement**") and an amendment letter to the Loan Facility Agreement, respectively, with Trillion Trophy to provide a term loan facility of up to

HK\$212,813,600 to the Company. The loan facility bears interest at a rate of 8% per annum, maturing by 25 June 2018 and is secured by (i) a first fixed legal charge over the property owned by BCFC, the principal subsidiary of the Company; (ii) a first floating charge over all the assets, goodwill, undertaking and uncalled capital, both present and future granted or to be granted by BCFC in favour of Trillion Trophy; and (iii) a first fixed charge over all books and other debts, both present and future granted or to be granted by BCFC in favour of Trillion Trophy.

On 6 June 2016 and 8 June 2016, the Company and Trillion Trophy entered into a convertible notes subscription agreement and a supplemental deed respectively to subscribe for convertible notes in the aggregate principal amount of HK\$150,000,000 (the “**Notes**”). The Notes bear an interest of 2% per annum with a maturity date falling three years from the date of issue of the Notes, and can be converted to shares of the Company at a conversion price of HK\$0.08 per share. The Notes were utilised to offset against the outstanding balance of the loan drawn under the Loan Facility Agreement. The subscription of the Notes was completed on 11 October 2016. Upon the completion of subscription of the Notes, as of today, the outstanding amount of the loan drawn under the Loan Facility Agreement is HK\$39,113,600. On 28 October 2016 and 20 December 2016, HK\$100,000,000 and HK\$50,000,000 of the Notes were fully converted into 1,250,000,000 and 625,000,000 shares of the Company respectively.

On 6 June 2016, the Company proposed an open offer (“**Open Offer**”) of shares of the Company on the basis of one offer share for every two shares of the Company held by qualifying shareholders of the Company at the price of HK\$0.08 per offer share. The Open Offer was completed on 11 October 2016 under which a total of 242,027,168 offer shares of the Company had been issued and the gross proceeds from the Open Offer, before deducting the underwriting commission and other expenses, amounted to approximately HK\$19,362,000.

On 6 June 2016, the Company entered into a share subscription agreement with Trillion Trophy to subscribe for 3,125,000,000 shares of the Company at the price of HK\$0.08 per share (“**Share Subscription**”). The Share Subscription was completed on 11 October 2016 and the gross proceeds from the Share Subscription before deducting relevant expenses amounted to HK\$250,000,000.

The aggregate gross proceeds from the Open Offer and the Share Subscription totaling approximately HK\$269,362,000. During the period under review, approximately HK\$22,165,000 out of the gross proceeds were used as follows: (i) approximately HK\$9,957,000 were used to satisfy the working capital requirement of BCFC; (ii) approximately HK\$5,427,000 were used to settle the expenses for the resumption purposes; and (iii) approximately HK\$6,781,000 were used to finance the expenses incurred by the operations in Hong Kong.

For details of the Notes, the Open Offer and the Share Subscription, please refer to the Circular and the Prospectus.

On 21 December 2016, the Company entered into a facility agreement (“**Revolving Facility Agreement**”) with Trillion Trophy in respect of the provision of a revolving loan facility up to HK\$250 million for the period commencing 21 December 2016 and ending on the earlier of 31 December 2018 and the date on which the facility is cancelled or terminated pursuant to the Revolving Facility Agreement (or other date as agreed between the Company and Trillion Trophy) (“**Revolving Facility**”). As of today, the Revolving Facility has not yet been drawn. For details of the Revolving Facility, please refer to the announcement of the Company dated 21 December 2016.

As at 31 December 2016, the Group’s bank balances and cash was approximately HK\$271 million (30 June 2016: HK\$27 million). The increase in funds was mainly the result of the completion of the Open Offer and the Share Subscription. The Group’s funds were denominated mainly in Hong Kong dollars and Great British Pounds, and were deposited in banks in Hong Kong and the UK.

The Group had outstanding borrowings as at 31 December 2016 of approximately HK\$39.4 million (30 June 2016: HK\$150.8 million (restated)). These mainly comprised of non-bank borrowings originated in Hong Kong which included approximately HK\$39.1 million drawn from Trillion Trophy.

Capital Reorganisation

References are made to the Circular in relation to, among others, the capital reorganisation of the Company. Immediately upon the completion of such capital reorganisation on 7 September 2016, the authorised share capital of the Company was HK\$500 million divided into 50,000,000,000 shares of HK\$0.01 each and the issued and paid up capital of the Company was approximately HK\$4.8 million divided into 484,054,336 shares of HK\$0.01 each.

Foreign Exchange Risk

The Group’s exposure to foreign currency risk mainly relates to the Group’s operation in the UK and most of which transactions, assets and liabilities are denominated in Great British Pounds. The Group does not use derivative financial instruments to hedge its foreign currency risks. The management of the Company will continue to monitor its foreign exchange exposure and take appropriate measures if needed.

Pledge of the Group's Assets

As at 31 December 2016, the loans from Trillion Trophy pursuant to the Loan Facility Agreement were secured by (i) a first fixed legal charge over the property owned by BCFC with a carrying value of approximately GBP18.7 million (equivalent to approximately HK\$178.5 million); (ii) a first floating charge over all the assets, goodwill, undertaking and uncalled capital, both present and future granted or to be granted by BCFC; and (iii) a first fixed charge over all book and other debts, both present and future granted or to be granted by BCFC, in favour of Trillion Trophy.

Certain 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 2016, the balance on this bank deposit account was GBP800,000 (equivalent to approximately HK\$7,624,000) (30 June 2016: GBP800,000 which was equivalent to approximately HK\$8,312,000).

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

HUMAN RESOURCES

As at 31 December 2016, the Group employed altogether approximately 198 full time employees and approximately 530 temporary staff members in Hong Kong and the UK (31 December 2015: 185 full time employees and 531 temporary staff members). The Group remunerated its employees mainly based on industry practice and individual's performance and experience. Apart from the basic remuneration, discretionary bonus may be granted to eligible employees with reference to the Group's performance as well as individual's performance.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the six months ended 31 December 2016, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

CORPORATE GOVERNANCE

The Board believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of the Shareholders.

During the period under review, the Company had complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules except for the following deviation:

Code Provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Deviation

There had been a deviation from code provision A.2.1 since Mr. Zhao Wenqing, an Executive Director, served both roles of the chairman and the chief executive officer (the “CEO”) of the Company during the period from 15 October 2016 to 26 January 2017. However, the aforesaid deviation was rectified and code provision A.2.1 has been complied with following the appointment of Mr. Huang Dongfeng, an Executive Director of the Company, as the CEO with effect from 27 January 2017.

The Board is responsible for the Company’s corporate governance and continues to monitor and review the Company’s corporate governance practices.

AUDIT COMMITTEE

The Audit Committee comprises of three Independent Non-executive Directors, namely Mr. To Yan Ming, Edmond, Mr. Pun Chi Ping and Ms. Leung Pik Har, Christine. Mr. To Yan Ming, Edmond is the chairman of the Audit Committee. The unaudited condensed consolidated interim financial statements of the Company for the six months ended 31 December 2016 have not been audited, but have been reviewed by the Audit Committee and have been duly approved by the Board under the recommendation of the Audit Committee.

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. The prohibitions on securities dealing and disclosure requirements in the Model Code apply to specified individuals including the Group’s senior management and also persons who are privy to price sensitive information of the Group. Having made specific enquiry of all directors, all of them confirmed that they had complied with the Model Code regarding directors’ securities transactions during the period under review.

CHANGE OF COMPANY NAME

On 20 February 2017, in order to better reflect the current status of the Group’s business and its direction of future development, the Board proposed to change the name of the Company from “Birmingham International Holdings Limited 伯明翰環球控股有限公司” to “Birmingham Sports Holdings Limited 伯明翰體育控股有限公司”. The Board believes that the new name can provide the Company with a more appropriate corporate image and identity which will benefit the Company’s future business development and is in the best interests of the Company and the Shareholders as a whole. For details of the proposed change of the name of the Company, please refer to the announcement of the Company dated 20 February 2017.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 31 December 2016 will be despatched to the Shareholders and be published on the websites of Hong Kong Exchanges and Clearing Limited and of the Company in due course.

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

Hong Kong, 27 February 2017

As at the date of this announcement, the Board comprises nine Directors, namely Mr. Zhao Wenqing (Chairman), Mr. Huang Dongfeng (Chief Executive Officer), Mr. Sue Ka Lok, Ms. Chan Yuk Yee, Mr. Yiu Chun Kong and Mr. Zhu Kai as Executive Directors; and Mr. To Yan Ming, Edmond, Mr. Pun Chi Ping and Ms. Leung Pik Har, Christine as Independent Non-executive Directors.