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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 2020

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 2020 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 2020

		Six months ended 31 December	
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	4	73,205	133,990
Operating expenses		(190,398)	(239,341)
Loss from operations		(117,193)	(105,351)
Interest revenue		6,866	4,164
Other income	6	11,100	3,709
Profit on sales of players' registration		264,372	116,204
Amortisation of intangible assets		(34,916)	(41,301)
Administrative and other expenses		(27,675)	(28,575)
Impairment loss on goodwill		(5,490)	–
Fair value change on investment properties		(15,756)	–
Fair value gain on derivative financial instruments		13,741	–
Share-based payments expense		(1,247)	(1,380)
Finance costs	7	(18,428)	(13,677)
Profit (loss) before taxation	8	75,374	(66,207)

		Six months ended 31 December	
		2020	2019
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Income tax credit	9	<u>550</u>	<u>360</u>
Profit (loss) for the period		75,924	(65,847)
Other comprehensive income (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>21,686</u>	<u>10,590</u>
Total comprehensive income (expense) for the period		<u>97,610</u>	<u>(55,257)</u>
Profit (loss) for the period attributable to:			
Owners of the Company		<u>71,947</u>	<u>(64,837)</u>
Non-controlling interests		<u>3,977</u>	<u>(1,010)</u>
		<u>75,924</u>	<u>(65,847)</u>
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		<u>96,219</u>	<u>(54,705)</u>
Non-controlling interests		<u>1,391</u>	<u>(552)</u>
		<u>97,610</u>	<u>(55,257)</u>
Earnings (loss) per share attributable to owners of the Company			
– Basic (<i>HK cent</i>)	11	<u>0.41</u>	<u>(0.37)</u>
– Diluted (<i>HK cent</i>)	11	<u>0.40</u>	<u>(0.37)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	As at 31 December 2020 HK\$'000 (Unaudited)	As at 30 June 2020 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		184,729	171,065
Right-of-use assets		24,523	24,219
Intangible assets		179,711	164,435
Goodwill		1,386	6,522
Investment properties	12	514,878	530,634
Derivative financial instruments		20,248	5,483
Deposits, prepayments and other receivables		52,838	47,146
		978,313	949,504
Total non-current assets			
Current assets			
Inventories		359	856
Trade receivables	13	9,879	5,347
Deposits, prepayments and other receivables		169,973	66,864
Contract assets		140	140
Bank balances and cash		46,090	38,804
		226,441	112,011
Total current assets			
Current liabilities			
Transfer fee payables		36,995	28,496
Trade payables	14	14,040	16,420
Amount due to a related party		222,615	–
Accruals and other payables		110,141	143,620
Deferred capital grants		602	544
Contract liabilities		37,645	6,671
Borrowings	15	354,493	482,621
Lease liabilities		8,211	7,093
		784,742	685,465
Total current liabilities			
Net current liabilities		(558,301)	(573,454)
Total assets less current liabilities		420,012	376,050

		As at 31 December 2020 <i>HK\$'000</i> (Unaudited)	As at 30 June 2020 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Accruals and other payables		–	15,088
Deferred capital grants		13,941	12,860
Borrowings	<i>15</i>	60,929	4,821
Lease liabilities		21,597	22,260
Deferred tax liabilities		22,390	20,792
		<hr/>	<hr/>
Total non-current liabilities		118,857	75,821
		<hr/>	<hr/>
NET ASSETS		301,155	300,229
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Share capital	<i>16</i>	182,264	177,100
Reserves		324,304	149,647
		<hr/>	<hr/>
Equity attributable to owners of the Company		506,568	326,747
Non-controlling interests		(205,413)	(26,518)
		<hr/>	<hr/>
TOTAL EQUITY		301,155	300,229
		<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 and certain financial instruments, 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 2020. The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 31 December 2020 are the same as those followed in the preparation of the Group’s audited consolidated financial statements for the year ended 30 June 2020.

Going concern basis

As at 31 December 2020, the Group recorded net current liabilities of approximately HK\$558,301,000. This condition indicates 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 after taking into consideration that (i) the Company has a loan facility from a substantial shareholder of the Company, Trillion Trophy Asia Limited (“Trillion Trophy”) 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 a loan facility from Oriental Rainbow Investments Limited (“Oriental Rainbow”), a wholly-owned subsidiary of a substantial shareholder of the Company under which an unsecured revolving loan facility up to HK\$300,000,000 has been granted to the Company (the “Oriental Rainbow Facility”); and (iii) the Company has loan facilities with aggregate amount of approximately HK\$529,788,000 from third party lenders.

As at 31 December 2020, the total carrying amount of the borrowings under the above facilities of the Group was approximately HK\$224,660,000. As at 31 December 2020, the Group had approximately HK\$855,128,000 undrawn borrowing facilities available.

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 ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2020. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("HKASs"); 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.

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	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Disaggregation of revenue:		
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>		
Commercial income	2,941	22,000
Match day receipts	–	9,702
	<u>2,941</u>	<u>31,702</u>
<i>Recognised over time</i>		
Commercial income	7,006	8,108
Broadcasting	46,461	50,542
Match day receipts	–	15,770
Lottery system and online payment system service solutions (“System Service Solutions”)	1,711	1,759
	<u>55,178</u>	<u>76,179</u>
	<u>58,119</u>	<u>107,881</u>
Revenue from other sources:		
Commercial income	996	15,388
Rental income	14,090	10,721
	<u>15,086</u>	<u>26,109</u>
	<u>73,205</u>	<u>133,990</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 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 2020

	Football club <i>HK\$'000</i> (Unaudited)	Investment in properties <i>HK\$'000</i> (Unaudited)	System Service Solutions <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue				
External sales	<u>57,404</u>	<u>14,090</u>	<u>1,711</u>	<u>73,205</u>
Results				
Segment results	<u>114,515</u>	<u>(3,547)</u>	<u>2,727</u>	113,695
Interest revenue				8
Other income				1,542
Corporate expenses				(24,943)
Share-based payments expense				(1,247)
Finance costs				<u>(13,681)</u>
Profit before taxation				75,374
Income tax credit				<u>550</u>
Profit for the period				<u>75,924</u>

Six months ended 31 December 2019

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

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 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

	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The UK		
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>	2,941	31,702
<i>Recognised over time</i>	53,467	74,420
Revenue from other sources	996	15,388
	57,404	121,510
The Kingdom of Cambodia ("Cambodia")		
Revenue from contracts with customers:		
<i>Recognised over time</i>	1,711	1,759
Revenue from other sources	14,090	10,721
	15,801	12,480
	73,205	133,990

(ii) Non-current assets

	As at	As at
	31 December	30 June
	2020	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Hong Kong	16,195	17,679
The PRC	42,479	30,292
Cambodia	514,878	530,634
The UK	404,275	370,899
Japan	486	–
	978,313	949,504

6. OTHER INCOME

	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Subsidies received from the Premier League (<i>Note(i)</i>)	4,286	3,254
Reversal of provision for directors' fee	4	139
Government subsidies (<i>Note (ii)</i>)	5,942	–
Gain on disposal of property, plant and equipment	2	–
Foreign exchange gain, (net)	185	–
Gain on bargain purchase of subsidiaries	15	–
Sundry income	666	316
	<u>11,100</u>	<u>3,709</u>

Notes:

- (i) During the six months ended 31 December 2020, the Group's professional football operation received funding of approximately HK\$4,286,000 (six months ended 31 December 2019: approximately HK\$3,254,000) from the Premier League in the UK under the Elite Player Performance Plan upon fulfillment of certain terms and conditions.
- (ii) During the six months ended 31 December 2020, the grant received represents COVID-19-related grants provided by various government to retain employees who may otherwise be made redundant and to support businesses affected by COVID-19 respectively. The grants are unconditional and granted on a discretionary basis to the Group during the period.

7. FINANCE COSTS

	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses on:		
– Other borrowings	13,437	10,610
– Bank borrowings	2,237	–
– Notional interest on transfer fee payables	1,401	2,283
– Lease liabilities	1,353	784
	<u>18,428</u>	<u>13,677</u>

8. PROFIT (LOSS) BEFORE TAXATION

Profit (loss) before taxation has been arrived at after charging (crediting) the following items:

	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	34,916	41,301
Depreciation of property, plant and equipment	5,781	8,351
Depreciation of right-of-use assets	4,283	819
Share-based payments expense	1,247	1,380
Litigation claim	–	510
Expenses related to short-term lease	–	2,963
Foreign exchange gain, (net)	(185)	–
Impairment loss on goodwill	5,490	–
Staff costs (including directors' remuneration)	169,345	174,723

9. INCOME TAX CREDIT

	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Deferred tax:		
– Current period	550	360

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 2020 and 2019.

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 had sufficient tax losses brought forward to offset against the assessable profits for the six months ended 31 December 2020 (six months ended 31 December 2019: no assessable profits).

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 2020 and 2019.

10. DIVIDEND

No dividend was paid or proposed for the six months ended 31 December 2020 (six months ended 31 December 2019: nil), nor has any dividend been proposed since the end of the reporting periods.

11. EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic and diluted earnings (loss) per share for the period is based on the following data:

	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings (loss):		
Profit (loss) attributable to owners of the Company for the purpose of calculating basic and diluted earnings (loss) per share	<u>71,947</u>	<u>(64,837)</u>
	Six months ended 31 December	
	2020	2019
	(Unaudited)	(Unaudited)
Number of shares:		
Weighted average number of shares for calculating basic earnings (loss) per share attributable to owners of the Company	17,738,087,725	17,710,022,508
Effect of dilutive potential ordinary shares		
Share options	<u>125,317,798</u>	—
Weighted average number of shares for calculating diluted earnings (loss) per share attributable to owners of the Company	<u>17,863,405,523</u>	<u>17,710,022,508</u>

Note:

For the six months ended 31 December 2020, the outstanding share options of the Company have been included in the computation of diluted earnings per share.

For the six months ended 31 December 2019, the outstanding share options of the Company had not been included in the computation of diluted loss per share as they are anti-dilutive.

12. INVESTMENT PROPERTIES

The carrying amount of the Group's investment properties as at 31 December 2020 and 30 June 2020 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 loss arising on changes in fair value of investment properties of approximately HK\$15,756,000 was recognised in profit or loss during the six months ended 31 December 2020 (six months ended 31 December 2019: nil). As at 31 December 2020, investment properties of the Group were stated at fair values of approximately HK\$514,878,000 (30 June 2020: approximately HK\$530,634,000).

13. TRADE RECEIVABLES

In general, the Group grants a credit period of about 14 to 90 days to its customers. The ageing analysis of trade receivables (net of provision for impairment) based on the invoice date is as follows:

	As at 31 December 2020 HK\$'000 (Unaudited)	As at 30 June 2020 HK\$'000 (Audited)
Within 30 days	4,625	96
31 days to 90 days	4,331	2
91 days to 180 days	247	1,185
181 days to 365 days	676	4,064
	<u>9,879</u>	<u>5,347</u>

14. TRADE PAYABLES

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

	As at 31 December 2020 HK\$'000 (Unaudited)	As at 30 June 2020 HK\$'000 (Audited)
Within 30 days	1,269	4,169
31 days to 90 days	3,053	1,769
91 days to 180 days	5,229	5,857
181 days to 365 days	4,489	4,625
	<u>14,040</u>	<u>16,420</u>

The Group normally receives credit periods from suppliers averaging at 90 days (30 June 2020: 90 days).

15. BORROWINGS

	As at 31 December 2020 HK\$'000 (Unaudited)	As at 30 June 2020 HK\$'000 (Audited)
Bank borrowings, secured (<i>Note (i)</i>)	182,952	–
Bank borrowings, unsecured	1,443	–
Other borrowings, unsecured		
– Loan from Trillion Trophy (<i>Note (ii)</i>)	66,197	66,197
– Loan from third parties (<i>Note (iii)</i>)	164,635	421,068
– Other loan	195	177
	<u>415,422</u>	<u>487,442</u>
Carrying amount repayable:		
– On demand or within one year	354,493	482,621
– Between one and two years	51,595	2,785
– Between two and five years	8,321	1,859
– Over five years	1,013	177
	<u>415,422</u>	<u>487,442</u>
Less: Amounts due within one year shown as current liabilities	<u>(354,493)</u>	<u>(482,621)</u>
	<u>60,929</u>	<u>4,821</u>
Carrying amount are denominated in the following currencies:		
Hong Kong dollars	205,477	473,905
Pound Sterling	189,319	5,748
Renminbi	19,183	7,789
Japanese Yen	1,443	–
	<u>415,422</u>	<u>487,442</u>
Effective interest rates per annum:		
Hong Kong dollars	4.50% – 8.00%	4.50% – 8.00%
Pound Sterling	0.00% – 5.56%	0.00%
Renminbi	5.00%	5.00%
Japanese Yen	0.46%	N/A

Notes:

- (i) During the six months ended 31 December 2020, the Group obtained new bank borrowings amounting to approximately HK\$182,952,000 (equivalent to approximately GBP17,312,000), which were used for repayment of loans from third parties. All the new bank borrowings are bearing fixed interest at the rates ranging from 4.29% to 5.56% per annum. The bank borrowings are secured by the Group's transfer fee receivables from other football clubs.
- (ii) As at 31 December 2020, approximately HK\$66,197,000 (30 June 2020: approximately HK\$66,197,000) of the Group's borrowing was from a standby facility provided by Trillion Trophy, a substantial shareholder of the Company. The loan amount is unsecured and bearing fixed interest rate of 4.5% per annum.
- (iii) As at 31 December 2020, approximately HK\$164,635,000 (30 June 2020: approximately HK\$421,068,000) of the Group's borrowings were provided by external lenders. The loan amounts are unsecured and bearing fixed interest at the rates ranging from 0.0% to 8.0% per annum.
- (iv) As at 31 December 2020, the total carrying amount of the borrowings of the Group was approximately HK\$415,422,000 (30 June 2020: approximately HK\$487,442,000). As at 31 December 2020, the Group had undrawn borrowing facility of approximately HK\$855,128,000 available to it (30 June 2020: approximately HK\$279,261,000).

16. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 July 2019 (audited), 1 July 2020 (audited) and 31 December 2020 (unaudited)	<u>50,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 July 2019 (audited) and 1 July 2020 (audited)	17,710,022,508	177,100
Issue of shares by placing (<i>Note (i)</i>)	516,400,000	5,164
At 31 December 2020 (unaudited)	<u>18,226,422,508</u>	<u>182,264</u>

Notes:

- (i) On 22 December 2020, the Company completed a placing of new shares in which 516,400,000 shares (the “Placing Shares”) were placed at the placing price of HK\$0.135 per share raising approximately HK\$69,714,000 before expenses (the “Placing”). Out of the total net proceeds, approximately HK\$5,164,000 was credited to the share capital account and approximately HK\$63,320,000 was credited to the share premium account. The related transaction costs amounted to approximately HK\$1,230,000 have been recorded in the share premium account. Details of the Placing were disclosed in the announcements of the Company dated 8 December 2020 and 22 December 2020, respectively.
- (ii) All shares issued during the six months ended 31 December 2020, rank *pari passu* with the then existing shares in all respects.

17. CONTINGENT LIABILITIES

Player transfer costs

As at 31 December 2020, under the terms of certain contracts with other football clubs in respect of player transfers, additional player transfer cost would become payable if certain specific conditions are met. The maximum amount not provided that could be payable in respect of the transfers up to 31 December 2020 was approximately HK\$76,897,000 (equivalent to approximately GBP7,277,000) (30 June 2020: approximately HK\$59,476,000, equivalent to approximately GBP6,233,000).

18. EVENT AFTER THE REPORTING PERIOD

On 15 January 2021, the Company entered into subscription agreements with Global Mineral Resources Holdings Ltd and Join Surplus International Ltd., pursuant to which the Company conditionally agreed to issue 541,000,000 new shares to Global Mineral Resources Holdings Ltd and 521,576,000 new shares to Join Surplus International Ltd. at the subscription price of HK\$0.13175 per share to set off against the outstanding loan due to the respective parties in aggregate of approximately HK\$140 million. The completion of the subscription took place on 21 January 2021. For details of the subscription, please refer to the announcements of the Company dated 15 January 2021 and 21 January 2021.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 December 2020 (six months ended 31 December 2019: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Performance and Results

For the six months ended 31 December 2020, the revenue of the Group was approximately HK\$73.2 million (six months ended 31 December 2019: approximately HK\$134.0 million), representing a decrease of approximately 45.4% as compared with that for the six months ended 31 December 2019.

The Group recorded a profit attributable to owners of the Company of approximately HK\$71.9 million for the six months ended 31 December 2020 compared to the loss of approximately HK\$64.8 million for the corresponding period last year. The turnaround from loss to profit was mainly attributable to the profit on transfer activities of players earned during the six months ended 31 December 2020 amounting to approximately HK\$264.4 million, which was approximately HK\$148.2 million more than that earned in the six months ended 31 December 2019.

Basic earnings per share for the six months ended 31 December 2020 was approximately HK0.41 cent, as compared with basic loss per share of approximately HK0.37 cent for the corresponding period last year.

Business Review and Prospect

The Group is principally engaged in three reportable business segments: (i) operation of a professional football club in the UK, (ii) investment in properties, and (iii) provision of System Service Solutions. During the six months ended 31 December 2020, the Group encountered a very challenging business environment. The novel coronavirus (COVID-19) pandemic outbreak (the “Outbreak”) brought massive global economic slowdown, which caused a different degree of impact across the Group’s business.

(i) *Football club*

The Group operates Birmingham City Football Club (“BCFC” or the “Club”) in the UK. Revenue streams of BCFC comprised (i) match day receipts which consisted of season and match day tickets, (ii) broadcasting income, including distributions of broadcasting revenue from the English Football League (the “EFL”), cup competitions, solidarity payment from the Premier League and revenue from the media, and (iii) commercial income which comprised sponsorship income, corporate hospitality, merchandising, conferences and events and other sundry income.

Following a finish at the 20th position in the EFL Championship Division for the season 2019/20, the Club continued to play in the highly competitive Championship Division in the season 2020/21. It is the 10th season in which the Club is playing in the Championship Division. As at the date of this announcement, the Club stood at the 21st position in the EFL Championship Division for the current season.

Since the Outbreak, the UK government implemented public health measures and taken various drastic actions in order to slowdown the spread of the Outbreak. Since June 2020 and up to the date of this announcement, all football matches are required to carry out behind closed doors. The sales performance of BCFC, match day receipts and commercial income in particular, was adversely affected as a consequence.

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

(ii) *Investment in properties*

The Group holds certain residential apartments and commercial properties in Phnom Penh, Cambodia. All the properties are leased out to secure a stable stream of income for the Group. During the six months ended 31 December 2020, the Group recorded rental income of approximately HK\$14.1 million from the investment properties.

The Outbreak and the global lockdown continued to affect many nations including Cambodia, and its real estate market has been slowed down. During the six months ended 31 December 2020, the Group recorded a loss arising on changes in fair value on its investment properties of approximately HK\$15.8 million.

As at 31 December 2020, the Group’s investment properties were stated at fair value and amounted to approximately HK\$514.8 million (30 June 2020: approximately HK\$530.6 million) representing approximately 42.7% (30 June 2020: approximately 50.0%) of the Group’s total assets.

(iii) Provision of System Service Solutions

The Group operates a system service solutions business, primarily in providing system and management support to lottery and third-party payment industry players. During the six months ended 31 December 2020, the Group recorded service income of approximately HK\$1.7 million from the System Service Solutions business. The slowdown of business activities around the world caused by the Outbreak adversely affect the growth of the business segment. During the six months ended 31 December 2020, the Group incurred an impairment loss on goodwill arising on acquisition of the system service solutions business amounted to approximately HK\$5.5 million. The loss was offset by the fair value gain on derivative financial instruments amounted to approximately HK\$13.7 million which represented the profit guarantee given by the vendor to the Group for the three years from 1 July 2019 to 30 June 2022 in relation to the acquisition of business.

Acquisition of medical service business

In July 2020, the Group acquired a medical services business in Japan. The medical services business principally involves in medical consultation and healthcare and wellness referral related series in Japan. Customers are mainly from oversea countries seeking medical services such as health checks, medical diagnosis and treatments in Japan. Details of which are set out in the announcement of the Company dated 31 July 2020. During the six months ended 31 December 2020, the business has yet to achieve material contribution to the Group's overall operation.

Disposal of interests in subsidiaries

On 9 October 2020, the Company and Oriental Rainbow entered into a sale and purchase agreement in relation to the disposal of 21.64% of the total issued capital of Birmingham City PLC ("BCP"), 25% of the total issued capital of Birmingham City Stadium Ltd ("BCSL") and the assignment of 21.64% of the loan outstanding and owing by BCP to the Company to Oriental Rainbow as at completion (the "Disposal"). Oriental Rainbow is beneficially wholly-owned by Mr. Vong Pech, a substantial shareholder of the Company and hence a connected person of the Company, and the transactions contemplated under the sale and purchase agreement constitute connected transactions of the Company under the Listing Rules. The sale and purchase agreement was approved by the independent shareholders of the Company on 8 December 2020 and the Disposal was completed on 31 December 2020. Details of the Disposal are set out in the circular of the Company dated 17 November 2020 and announcements of the Company dated 9 October 2020 and 31 December 2020.

Upon completion, the Group's equity interest in BCP decreased from 96.64% to 75% and the Group's equity interest in BCSL decreased from 100% to 75% and non-controlling interests in BCP and BCSL increased correspondingly. BCP and BCSL remain as non-wholly owned subsidiaries of the Company and their financial results and financial positions continue to be consolidated in the consolidated financial statements of the Group.

Outlook

With the continuation of the Outbreak, the global business environment remains uncertain and challenging. To prevent the spread of the Outbreak, many countries continue to implement lockdown measures to control social activities, which will inevitably continue to depress business sentiments and investment confidence.

In view of all these, the pace of recovery of global economy is highly unclear, which would make the Group's businesses rather challenging, and would also have impacts on the Group's overall performance. Based on the information currently available on the recent development of the Outbreak in the major regions where the Group has operation, the Directors considered it is difficult to predict the evolution and duration of the Outbreak and that at the date of this announcement, the extent of its impact to the Group's operations cannot be reliably quantified or estimated. Looking forward, the management will continue to closely monitor the situation and will take all necessary and appropriate measures to reduce the impact of the Outbreak to the Group. The management will continue to stay cautious to economic changes and fine tune the Group's development and operation strategy. At the same time, the management will continue seizing business opportunities in a prudent but proactive manner aiming to create value for the shareholders of the Company.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the six months ended 31 December 2020 was approximately HK\$73.2 million (six months ended 31 December 2019: approximately HK\$134.0 million), representing a decrease of approximately 45.4% over the same period last year.

The revenue from the Club for the six months ended 31 December 2020 was approximately HK\$57.4 million (six months ended 31 December 2019: approximately HK\$121.5 million), representing a decrease of approximately 52.8% compared with the corresponding period in 2019. The decrease was due to a significant reduction in match day receipts and commercial income as a result of the Outbreak and the lockdown in the UK.

The revenue derived from the investment properties for the six months ended 31 December 2020 was approximately HK\$14.1 million (six months ended 31 December 2019: approximately HK\$10.7 million), all of which was the rental income from the premises of the Group.

The revenue derived from the System Service Solutions business for the six months ended 31 December 2020 was approximately HK\$1.7 million (six months ended 31 December 2019: approximately HK\$1.8 million).

Operating Expenses

Operating expenses incurred during the six months ended 31 December 2020 were approximately HK\$190.4 million (six months ended 31 December 2019: approximately HK\$239.3 million), representing a decrease of approximately 20.4% over the same period last year.

The decrease in operating expenses was mainly attributable to lower operating expenses of the Club. Due to the Outbreak and the lockdown in the UK, business activities were much reduced during the six months ended 31 December 2020. The overall decrease in operating expenses was partially offset by the additional operating expenses of the System Service Solutions business segment consolidated by the Group as the business was acquired in September 2019.

Other Income

Other income during the six months ended 31 December 2020 was approximately HK\$11.1 million which was approximately 199.3% higher than that during the period ended 31 December 2019. The increase mainly represented the government subsidies received by the Group's various operating units.

Profit on Sales of Players' Registration

Profit on sales of players' registration for the six months ended 31 December 2020 was approximately HK\$264.4 million (six months ended 31 December 2019: approximately HK\$116.2 million). The increase was mainly because higher revenue from sales of players were generated during the six months ended 31 December 2020.

Administrative and Other Expenses

Administrative and other expenses for the six months ended 31 December 2020, which included mainly depreciation charges, professional fees, staff costs and office overheads, decreased by approximately 3.1% to approximately HK\$27.7 million as compared to that of the corresponding period in 2019. 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 six months ended 31 December 2020, the Group incurred finance costs of approximately HK\$18.4 million, representing an increase of approximately 34.7% as compared to the corresponding period in 2019. The increase in finance costs was mainly attributable to an increase in the average balance of borrowings during the six months ended 31 December 2020.

Impairment of Goodwill

In accordance with the relevant requirement under “HKAS 36 – Impairment of Assets”, the Group performed impairment assessment on the goodwill arising from the acquisition of a subsidiary with the assistance of an external valuer on a regular basis. After conducting the impairment assessment, the Group recognised an impairment loss of goodwill of approximately HK\$5.5 million for the six months ended 31 December 2020.

Fair Value Gain on Derivative Financial Instruments

Derivative financial instruments represent the fair value of the profit guarantee in respect of the acquisition of Wangmei Online (Beijing) Information & Technology Co., Ltd. (literal translation of 網梅在綫(北京)信息技術有限公司). The fair value gain on the derivative financial instruments was approximately HK\$13.7 million as at 31 December 2020, which was based on valuation performed by an independent firm of professional valuer which represents the difference between the guaranteed profit and the projected return during the guarantee period.

Amount Due to a Related Party

Upon completion of the Disposal, 21.64% of the loan outstanding and owing by BCP to the Company was assigned to Oriental Rainbow. The loan, which is interest-free and repayable on demand provided that BCP and/or BCFC are financially viable to make such repayment and such repayment will not cause BCP and/or BCFC to become insolvent, was accounted for as an amount due to a related party. As at 31 December 2020, the outstanding balance was HK\$222.6 million.

Contingent Liabilities

Save as disclosed in note 17 above, the Group did not have any material contingent liabilities as at 31 December 2020.

Capital Expenditure and Commitments

During the six months ended 31 December 2020, the Group incurred capital expenditure of approximately HK\$2.5 million, the majority of which were for the purchase of property, plant and equipment.

As at 31 December 2020, the Group had no significant capital commitment (30 June 2020: nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Financial Ratios

As at 31 December 2020, the Group's current ratio (calculated as current assets divided by current liabilities) was approximately 28.9% (30 June 2020: approximately 16.3%) and the gearing ratio (calculated as total borrowings divided by equity attributable to owners of the Company plus total borrowings) was approximately 45.1% (30 June 2020: approximately 59.9%). The ratio of total liabilities to total assets of the Group was 75.0% (30 June 2020: approximately 71.7%).

Financial Resources

The Group generally finances its operations with internally generated cash flows, loans from substantial shareholders and from independent third parties, bank borrowings and through the capital market available to listed companies in Hong Kong. As at 31 December 2020, the Group's bank balances and cash were approximately HK\$46.1 million (30 June 2020: approximately HK\$38.8 million), which were principally denominated in Hong Kong dollars, US dollars, Pound Sterling, Renminbi and Japanese Yen. As at 31 December 2020, the Group had total borrowings of approximately HK\$415.4 million (30 June 2020: approximately HK\$487.4 million), with approximately HK\$354.5 million repayable within one year, approximately HK\$51.6 million repayable after one year and within two years, approximately HK\$8.3 million repayable after two years and within five years and approximately HK\$1.0 million repayable after five years. About 49.5%, 45.6%, 4.6% and 0.3% of the Group's borrowings were denominated in Hong Kong dollars, Pound Sterling, Renminbi and Japanese Yen, respectively. 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 Japan and its investment in Cambodia, in which transactions, assets and liabilities are mostly denominated in Pound Sterling, US dollars, Renminbi and Japanese Yen. 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

As at 31 December 2020, 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. The balance on this bank deposit account was GBP800,000 (equivalent to approximately HK\$8,454,000) (30 June 2020: GBP800,000 which was equivalent to approximately HK\$7,634,000). In addition, the Group's transfer fee receivables from other football clubs with a carrying amount of GBP18,000,000 (equivalent to approximately HK\$190,215,000) as at 31 December 2020 were pledged to secure bank borrowing of the Group.

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

Capital Structure

On 22 December 2020, the Company completed the Placing of 516,400,000 Placing Shares under the general mandate at the placing price of HK\$0.135 per share. For details of the Placing and the completion of which, please refer to the announcements of the Company dated 8 December 2020 and 22 December 2020, respectively.

As at 31 December 2020, the Company had an issued capital of 18,226,422,508 shares of HK\$0.01 each in issue (30 June 2020: 17,710,022,508 shares).

Use of proceeds

On 22 December 2020, the Company completed the Placing. The net proceeds from the Placing are approximately HK\$68.5 million. Approximately HK\$61.7 million, or 90.0% of the net proceeds, was planned for repayment of external debts and the remaining balance of approximately HK\$6.8 million, or 10.0% of the net proceeds, was planned as general working capital of the Group. As at the date of this announcement, the proceeds from the Placing were fully utilised and were applied in accordance with the planned use as disclosed in the announcement of the Company dated 8 December 2020.

On 31 December 2020, the Company completed the Disposal. The net proceeds from the Disposal were approximately HK\$52.7 million, of which (i) approximately HK\$31.7 million, or 60.0% of the net proceeds, was planned for repayment of external debts; (ii) approximately HK\$10.5 million, or 20.0% of the net proceeds, was planned as general working capital of the Group; and (iii) approximately HK\$10.5 million, or 20.0% of the net proceeds, was planned for future investment. Up to the date of this announcement, details of the use of the net proceeds from the Disposal are listed as below:

	Planned use of proceeds	Actual usage	Unutilised	Expected timeline for the intended use
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	
Repayment of external debts	31.7	31.7	–	
General working capital	10.5	10.5	–	
Future investment	10.5	–	10.5	By 31 December 2021
Total	<u>52.7</u>	<u>42.2</u>	<u>10.5</u>	

HUMAN RESOURCES AND REMUNERATION POLICY

During the six months ended 31 December 2020, the Group employed on average approximately 320 full time employees and approximately 60 temporary staff members in Hong Kong, the PRC, the UK and Japan (30 June 2020: approximately 340 full time employees and approximately 470 temporary staff members). The Group recognises the importance of high calibre and competent staff and continues to provide remuneration packages to employees mainly based on industry practices and individual performance. In addition, the Group provides other employee benefits including medical insurance, training subsidy, discretionary bonus and participation in the Company's share option scheme.

CORPORATE GOVERNANCE

The Company has 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 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry with the 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 2020.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) comprises three Independent Non-executive Directors, namely Mr. Yeung Chi Tat (“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 2020 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 2020 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 2020 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 2020, 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 and the Stock Exchange’s website at 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 of the Company in due course.

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

Hong Kong, 26 February 2021

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.