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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 2021

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 2021 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 2021

		Six months ended 31 December	
		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	4	111,375	73,205
Operating expenses		(237,701)	(190,398)
Loss from operations		(126,326)	(117,193)
Interest revenue		7,607	6,866
Other income	6	6,447	11,083
Other gains and losses, net	7	24,814	(7,488)
Football club segment compensation		89,559	–
Profit on sales of players’ registration		22,348	264,372
Amortisation of intangible assets		(34,458)	(34,916)
Administrative and other expenses		(17,671)	(28,922)
Finance costs	8	(12,465)	(18,428)
(Loss) profit before taxation		(40,145)	75,374

		Six months ended 31 December	
		2021	2020
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Income tax credit	9	<u>1</u>	<u>550</u>
(Loss) profit for the period	10	(40,144)	75,924
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of overseas subsidiaries		<u>5,015</u>	<u>21,686</u>
Total comprehensive (expense) income for the period		<u>(35,129)</u>	<u>97,610</u>
(Loss) profit for the period attributable to:			
Owners of the Company		<u>(10,291)</u>	<u>71,947</u>
Non-controlling interests		<u>(29,853)</u>	<u>3,977</u>
		<u>(40,144)</u>	<u>75,924</u>
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		<u>(10,702)</u>	<u>96,219</u>
Non-controlling interests		<u>(24,427)</u>	<u>1,391</u>
		<u>(35,129)</u>	<u>97,610</u>
(Loss) earnings per share attributable to owners of the Company			
– Basic (<i>HK cent</i>)	12	<u>(0.05)</u>	<u>0.41</u>
– Diluted (<i>HK cent</i>)	12	<u>(0.05)</u>	<u>0.40</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	As at 31 December 2021 HK\$'000 (Unaudited)	As at 30 June 2021 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		35,529	32,516
Right-of-use assets		82,162	86,943
Intangible assets		105,686	140,983
Investment properties	13	480,246	481,962
Deposits, prepayments and other receivables		5,264	53,750
		708,887	796,154
Total non-current assets			
Current assets			
Inventories		70	378
Trade receivables	14	16,668	13,804
Deposits, prepayments and other receivables		236,959	221,670
Pledged bank deposits		8,422	8,600
Bank balances and cash		22,322	36,155
		284,441	280,607
Total current assets			
Current liabilities			
Transfer fee payables		22,961	17,266
Trade payables	15	14,255	10,104
Accruals and other payables		54,468	75,455
Amount due to a related party		235,367	213,359
Contract liabilities		38,336	35,326
Borrowings	16	80,616	184,435
Lease liabilities		17,523	11,686
		463,526	547,631
Total current liabilities			
Net current liabilities		(179,085)	(267,024)
Total assets less current liabilities		529,802	529,130

		As at 31 December 2021 HK\$'000 (Unaudited)	As at 30 June 2021 HK\$'000 (Audited)
Non-current liabilities			
Transfer fee payables		7,468	19,888
Borrowings	16	171,141	109,325
Lease liabilities		78,985	92,526
Deferred tax liabilities		2,523	2,577
		<hr/>	<hr/>
Total non-current liabilities		260,117	224,316
		<hr/>	<hr/>
NET ASSETS		269,685	304,814
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Share capital	17	192,890	192,890
Reserves		331,709	342,411
		<hr/>	<hr/>
Equity attributable to owners of the Company		524,599	535,301
Non-controlling interests		(254,914)	(230,487)
		<hr/>	<hr/>
TOTAL EQUITY		269,685	304,814
		<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 the Hong Kong Special Administrative Region (“Hong Kong”) of the People’s Republic of China (the “PRC”).

2. PRINCIPAL ACCOUNTING POLICIES

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

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 30 June 2021. The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 31 December 2021 are the same as those followed in the preparation of the Group’s audited consolidated financial statements for the year ended 30 June 2021.

Going concern basis

The Group incurred a loss attributable to owners of the Company of approximately HK\$10,291,000 for the six months ended 31 December 2021 and as at 31 December 2021 the Group had net current liabilities of approximately HK\$179,085,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The unaudited condensed consolidated interim financial statements have been prepared on a going concern basis. The directors of the Company (the “Directors”) are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months given that (i) the Company has a loan facility from a substantial shareholder of the Company, Trillion Trophy Asia Limited under which an unsecured revolving loan facility up to HK\$250,000,000 has been granted to the Company; (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; and (iii) the Company has a loan facility with aggregate amount of approximately HK\$12,231,000 from a third party lender.

As at 31 December 2021, the total carrying amount of the borrowings under the above facilities of the Group was approximately HK\$126,549,000. As at 31 December 2021, the Group had approximately HK\$435,682,000 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 (the “HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 July 2021. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. 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. REVENUE

Revenue represents amount receivable for goods sold and services provided to external customers in the normal course of business and rental income from investment properties, after deducting discounts and excluding value added tax or other sales related taxes. An analysis of the Group's revenue for the period is as follows:

	Six months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Disaggregation of revenue:		
<i>Recognised at a point in time</i>		
Commercial income	6,595	2,941
Match day receipts	7,037	–
Healthcare and medical related business ("Healthcare Business")	694	–
	<u>14,326</u>	<u>2,941</u>
<i>Recognised over time</i>		
Commercial income	15,352	7,006
Broadcasting	45,074	46,461
Match day receipts	13,894	–
Lottery system and online payment system service solutions ("System Service Solutions")	–	1,711
	<u>74,320</u>	<u>55,178</u>
Revenue from contracts with customers	<u>88,646</u>	<u>58,119</u>
Revenue from other sources:		
Commercial income	8,639	996
Rental income	14,090	14,090
	<u>22,729</u>	<u>15,086</u>
	<u>111,375</u>	<u>73,205</u>

Revenue from contracts with customers comprise:

- (i) Match day receipts
 - Match day receipts for the football match tickets are recognised when the match was held.
 - Match day receipts for sales of season tickets are recognised on a yearly basis.
- (ii) Broadcasting
 - Television and broadcasting income are recognised over the contract period.
- (iii) Commercial income
 - Catering and programme sales are recognised when control of the products has been transferred or when the services are rendered.
 - Royalties, advertising and sponsorship are recognised over the contract period.
- (iv) Healthcare Business
 - Healthcare and medical related business are recognised when control of the products has been transferred or when the services are rendered.

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.

During the six months ended 31 December 2021, the Group has three (31 December 2020: three) reportable and operating segments 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) the Healthcare Business.

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 2021

	Football club HK\$'000 (Unaudited)	Investment in properties HK\$'000 (Unaudited)	Healthcare Business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue				
External sales	<u>96,591</u>	<u>14,090</u>	<u>694</u>	<u>111,375</u>
Results				
Segment results	<u>(29,853)</u>	<u>10,896</u>	<u>(2,524)</u>	<u>(21,481)</u>
Interest revenue				2
Other income				20
Other gains and losses, net				1
Corporate expenses				(16,427)
Finance costs				<u>(2,260)</u>
Loss before taxation				<u>(40,145)</u>
Income tax credit				<u>1</u>
Loss for the period				<u><u>(40,144)</u></u>

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	57,404	14,090	1,711	73,205
Results				
Segment results	114,515	(3,547)	2,727	113,695
Interest revenue				8
Other income				1,525
Other gains and losses, net				17
Corporate expenses				(26,190)
Finance costs				(13,681)
Profit before taxation				75,374
Income tax credit				550
Profit for the period				75,924

Segment results represent the profit or loss incurred by each segment without allocation of certain interest revenue, other income, other gains and losses, net, corporate expenses, 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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The UK		
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>	13,632	2,941
<i>Recognised over time</i>	74,320	53,467
Revenue from other sources	8,639	996
	<u>96,591</u>	<u>57,404</u>
The Kingdom of Cambodia (“Cambodia”)		
Revenue from contracts with customers:		
<i>Recognised over time</i>	–	1,711
Revenue from other sources	14,090	14,090
	<u>14,090</u>	<u>15,801</u>
Japan		
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>	694	–
	<u>694</u>	<u>–</u>
	<u>111,375</u>	<u>73,205</u>

(ii) Non-current assets

	As at	As at
	31 December	30 June
	2021	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Hong Kong	2,585	3,458
The PRC	86	94
Cambodia	480,246	481,962
The UK	225,676	310,317
Japan	294	323
	<u>708,887</u>	<u>796,154</u>

6. OTHER INCOME

	Six months ended 31 December	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Subsidies received from the Premier League (<i>Note (i)</i>)	6,118	4,286
Reversal of provision for directors' fee	–	4
Government subsidies (<i>Note (ii)</i>)	308	5,942
Foreign exchange gain, net	–	185
Sundry income	21	666
	6,447	11,083
	6,447	11,083

Notes:

- (i) During the six months ended 31 December 2021, the Group's professional football operation received funding of approximately HK\$6,118,000 (six months ended 31 December 2020: approximately HK\$4,286,000) from the Premier League in the UK under the Elite Player Performance Plan upon fulfillment of certain terms and conditions.
- (ii) These represent 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 subsidies are unconditional and granted on a discretionary basis to the Group during the period.

7. OTHER GAINS AND LOSSES, NET

	Six months ended 31 December	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Impairment loss on goodwill	–	(5,490)
Fair value change on investment properties	(1,716)	(15,756)
Insurance compensation arising on business interruption caused by COVID-19	26,529	–
Fair value gain on derivative financial instruments	–	13,741
Gain on termination of lease agreement	1	–
Gain on bargain purchase of subsidiaries	–	15
Gain on disposal of property, plant and equipment	–	2
	24,814	(7,488)
	24,814	(7,488)

8. FINANCE COSTS

	Six months ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest expenses on:		
– Other borrowings	1,941	13,437
– Bank borrowings	1,486	2,237
– Imputed interest arising on interest-free borrowings from Football League Limited (“Football League”)	1,776	–
– Notional interest on transfer fee payables	1,615	1,401
– Lease liabilities	5,647	1,353
	<u>12,465</u>	<u>18,428</u>

9. INCOME TAX CREDIT

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

	Six months ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Deferred tax:		
– Current period	<u>1</u>	<u>550</u>

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong for the six months ended 31 December 2021 and 2020.

The Group’s subsidiaries in the UK are subject to Corporation Tax in the UK (“Corporation Tax”). No provision has been made in respect of Corporation Tax as these subsidiaries did not derive any assessable profits for the six months ended 31 December 2021 (six months ended 31 December 2020: these subsidiaries had sufficient tax losses brought forward to offset against the 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 2021 and 2020.

Note:

For the six months ended 31 December 2021, the outstanding share options of the Company had not been included in the computation of diluted loss per share as they are anti-dilutive.

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

13. INVESTMENT PROPERTIES

The carrying amount of the Group's investment properties as at 31 December 2021 and 30 June 2021 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 from changes in fair value of investment properties of approximately HK\$1,716,000 was recognised in profit or loss during the six months ended 31 December 2021 (six months ended 31 December 2020: approximately HK\$15,756,000).

As at 31 December 2021, investment properties of the Group were stated at fair values of approximately HK\$480,246,000 (30 June 2021: approximately HK\$481,962,000).

14. TRADE RECEIVABLES

In general, the Group grants a credit period of about 14 days 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 2021 HK\$'000 (Unaudited)	As at 30 June 2021 HK\$'000 (Audited)
Within 30 days	4,752	6,237
31 days to 90 days	3,526	5,176
91 days to 180 days	5,054	2,160
181 days to 365 days	3,336	231
	<u>16,668</u>	<u>13,804</u>

15. TRADE PAYABLES

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

	As at 31 December 2021 HK\$'000 (Unaudited)	As at 30 June 2021 HK\$'000 (Audited)
Within 30 days	2,312	3,188
31 days to 90 days	5,554	3,966
91 days to 180 days	2,383	1,212
181 days to 365 days	1,512	1,738
Over 365 days	2,494	–
	<u>14,255</u>	<u>10,104</u>

16. BORROWINGS

	As at 31 December 2021 <i>HK\$'000</i> (Unaudited)	As at 30 June 2021 <i>HK\$'000</i> (Audited)
Bank borrowings, secured	49,197	154,229
Other borrowings, unsecured:		
– Loan from Football League	74,664	80,460
– Loan from substantial shareholders	115,969	49,200
– Loan from third parties	11,732	9,672
– Other loan	195	199
	<u>251,757</u>	<u>293,760</u>

	As at 31 December 2021		
	Bank borrowings <i>HK\$'000</i> (Unaudited)	Other borrowings <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Carrying amounts repayable:*			
– On demand or within one year	49,197	31,419	80,616
– Between one and two years	–	157,967	157,967
– Between two and five years	–	12,380	12,380
– Over five years	–	794	794
	<u>49,197</u>	<u>202,560</u>	<u>251,757</u>
Less: Amounts due within one year shown as current liabilities	<u>(49,197)</u>	<u>(31,419)</u>	<u>(80,616)</u>
Amounts shown as non-current liabilities	<u>–</u>	<u>171,141</u>	<u>171,141</u>

	As at 30 June 2021		
	Bank	Other	Total
	borrowings	borrowings	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Audited)
Carrying amounts repayable:*			
– On demand or within one year	103,992	80,443	184,435
– Between one and two years	50,237	29,943	80,180
– Between two and five years	–	28,946	28,946
– Over five years	–	199	199
	<u>154,229</u>	<u>139,531</u>	<u>293,760</u>
Less: Amounts due within one year shown as current liabilities	<u>(103,992)</u>	<u>(80,443)</u>	<u>(184,435)</u>
Amounts shown as non-current liabilities	<u><u>50,237</u></u>	<u><u>59,088</u></u>	<u><u>109,325</u></u>

* The amounts due are based on scheduled repayable dates set out in loan agreements.

	As at 31 December 2021 <i>HK\$'000</i> (Unaudited)	As at 30 June 2021 <i>HK\$'000</i> (Audited)
Carrying amounts are denominated in the following currencies:		
Hong Kong dollars	115,969	49,200
Pound Sterling	124,056	234,888
Renminbi	10,580	8,407
Japanese Yen	1,152	1,265
	<u>251,757</u>	<u>293,760</u>
Effective interest rates per annum:		
Hong Kong dollars	4.50%	4.50%
Pound Sterling	0.00% – 5.56%	0.00% – 5.56%
Renminbi	5.00%	5.00%
Japanese Yen	0.46%	0.46%
	<u>0.46%</u>	<u>0.46%</u>

17. SHARE CAPITAL

	Number of shares	Amount HK\$'000
<i>Ordinary shares of HK\$0.01 each</i>		
Authorised:		
At 1 July 2020 (audited), 1 July 2021 (audited) and 31 December 2021 (unaudited)	<u>50,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 July 2020 (audited)	17,710,022,508	177,100
Issue of shares upon share placing (<i>Note</i>)	516,400,000	5,164
Issue of shares upon share subscriptions (<i>Note</i>)	<u>1,062,576,000</u>	<u>10,626</u>
At 30 June 2021 (audited) and 31 December 2021 (unaudited)	<u>19,288,998,508</u>	<u>192,890</u>

Note:

Details of movement in the issued share capital of the Company were disclosed in the Company's 2021 annual report dated 30 September 2021.

18. CONTINGENT LIABILITIES

Player transfer costs

As at 31 December 2021, 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 2021 was approximately HK\$85,925,000 (equivalent to approximately GBP8,162,000) (30 June 2021: approximately HK\$82,782,000, equivalent to approximately GBP7,701,000).

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 December 2021 (six months ended 31 December 2020: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Performance and Results

For the six months ended 31 December 2021, the revenue of the Group was approximately HK\$111.4 million (six months ended 31 December 2020: approximately HK\$73.2 million), representing an increase of approximately 52.1% as compared with that for the six months ended 31 December 2020.

The Group recorded a loss attributable to owners of the Company of approximately HK\$10.3 million for the six months ended 31 December 2021 compared to a profit of approximately HK\$71.9 million for the corresponding period last year. The change from profit to loss was mainly attributable to the significant decrease in profit on transfer activities of players, absence of the fair value gain on derivative financial instruments during the six months ended 31 December 2021 which was partly offset by the expected compensation from the football club segment.

Basic loss per share for the six months ended 31 December 2021 was approximately HK0.05 cent, as compared with basic earnings per share of approximately HK0.41 cent for the corresponding period last year.

Business Review and Prospect

During the six months ended 31 December 2021, 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) the Healthcare Business.

(i) Football club

The Group operates Birmingham City Football Club (i.e. 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, conferences and events and other sundry income.

Following a finish at the 18th position in the EFL Championship Division for the season 2020/21, the Club continued to play in the highly competitive Championship Division in the season 2021/22. As at the date of this announcement, the Club stood at the 19th position. In July 2021, the UK government announced lifting a number of coronavirus related restrictions in which, among others, fans are allowed to attend football matches in the current season. The Club was able to generate match day receipts and other commercial income which improved the sales performance of the Group substantially. The management is keen to improve the overall game play performance of the Club and will continue to provide support to the Club with an aim to achieve higher ranking in the league in the season 2021/22.

The Birmingham City Football Academy (the “Academy”) has been awarded to operate at Category 1 Academy for season 2021/22 under the Elite Player Performance Plan. The Academy has a clear aim of providing a place to pursue and achieve success through a first class coaching environment for all the young players registered in its system. Through a clearly defined strategy, strong culture and age specific coaching curriculum, the Academy staff will utilise all available resources to progress players through the development phases and meet the goal.

On 9 October 2020, the Company and Oriental Rainbow, a non-controlling interest shareholder of the Club and a wholly-owned subsidiary of the ultimate beneficial owner of a substantial shareholder of the Company, entered into a shareholders’ agreement, pursuant to which, among others, Oriental Rainbow undertook to the Company that in the event the football club business segment incurs a loss after taxation (the “Loss”) for the financial year ended 30 June 2021 and the financial years ending 30 June 2022 and 2023 respectively in which the Club does not compete in the English Premier League, Oriental Rainbow shall pay a compensation to the Company equivalent to the Company’s share of the Loss in full (“Profit and Loss Sharing Arrangement”). For details, please refer to the announcement and circular of the Company dated 9 October 2020 and 17 November 2020, respectively. During the six months ended 31 December 2021, the Company recorded a compensation receivable of approximately HK\$89.6 million.

(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 2021, the Group recorded rental income of approximately HK\$14.1 million from the investment properties.

As at 31 December 2021, investment properties of the Group were stated at fair value and amounted to approximately HK\$480.2 million (30 June 2021: approximately HK\$482.0 million) representing approximately 48.3% (30 June 2021: approximately 44.8%) of the total assets of the Group.

(iii) *Healthcare Business*

Healthcare Business principally comprises the provision of medical consultation and healthcare and wellness referral related services in Japan and the sales of health-related products. Customers are mainly from overseas seeking medical services such as health checks, medical diagnosis and treatments in Japan and distributors and retailers of health-related products. During the six months ended 31 December 2021, the Group recorded income of approximately HK\$0.7 million from this business segment.

Outlook

The global economy has been picking up at a faster pace and is growing far more strongly than anticipated, but the business environment has yet to recover back to the level before the coronavirus pandemic outbreak (the “Outbreak”). Unsynchronised global epidemic prevention and control, uneven economic recovery, intensified political and economic tension and unsure monetary policy have all increased uncertainty, and the new waves of infections unleashed by the different variants of COVID-19 continue to pose greatest risk to the recovery of world economy. The Group’s business outlook for the coming year is full of challenges and uncertainties as macroeconomic environment is adversely affected by the Outbreak, and it will take time to rebuild the investor confidence. Looking forward, the management of the Group will continue to adopt a cautious and disciplined approach in managing the businesses of the Group, and to seize business opportunities in a prudent but proactive manner aiming to create value for the shareholders of the Company (the “Shareholders”).

FINANCIAL REVIEW

Revenue

The revenue of the Group for the six months ended 31 December 2021 was approximately HK\$111.4 million (six months ended 31 December 2020: approximately HK\$73.2 million), representing an increase of approximately 52.1% over the same period last year.

The revenue from the Club for the six months ended 31 December 2021 was approximately HK\$96.6 million (six months ended 31 December 2020: approximately HK\$57.4 million), representing an increase of approximately 68.3% compared with the corresponding period in 2020. The increase was primarily contributed by the growth in commercial income and match day receipts.

The revenue derived from the investment properties for the six months ended 31 December 2021 was approximately HK\$14.1 million (six months ended 31 December 2020: approximately HK\$14.1 million), all of which was the rental income from the premises of the Group.

The revenue derived from the Healthcare Business for the six months ended 31 December 2021 was approximately HK\$0.7 million (six months ended 31 December 2020: nil).

Operating Expenses

Operating expenses incurred during the six months ended 31 December 2021 were approximately HK\$237.7 million (six months ended 31 December 2020: approximately HK\$190.4 million), representing an increase of approximately 24.8% over the same period in 2020. The increase in operating expenses was mainly attributable to higher operating expenses of the Club.

Other Income

Other income during the six months ended 31 December 2021 was approximately HK\$6.4 million (six months ended 31 December 2020: approximately HK\$11.1 million) which was approximately 41.8% lower than that during the six months ended 31 December 2020. The decrease mainly represented decline in government subsidies received by the various operating units of the Group.

Other Gains and Losses, Net

Other gains and losses for the six months ended 31 December 2021 recorded a gain of approximately HK\$24.8 million (six months ended 31 December 2020: loss of approximately HK\$7.5 million). The gain was mainly attributable to a claim for losses arising on business interruption caused by COVID-19.

Football Club Segment Compensation

Football club segment compensation represented the compensation receivable of approximately HK\$89.6 million pursuant to the Profit and Loss Sharing Arrangement recorded by the Company for the six months ended 31 December 2021 (six months ended 31 December 2020: nil).

Profit on Sales of Players' Registration

Profit on sales of players' registration for the six months ended 31 December 2021 was approximately HK\$22.3 million (six months ended 31 December 2020: approximately HK\$264.4 million). The decrease was mainly because lower revenue from sales of players were generated during the six months ended 31 December 2021.

Administrative and Other Expenses

Administrative and other expenses for the six months ended 31 December 2021, which included mainly depreciation charges, professional fees, staff costs and office overheads, decreased by approximately 38.9% to approximately HK\$17.7 million as compared to that of the corresponding period in the 2020. 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 2021, the Group incurred finance costs of approximately HK\$12.5 million (six months ended 31 December 2020: approximately HK\$18.4 million), representing a decrease of approximately 32.4% as compared to the corresponding period in the previous year. The decrease was primarily due to the decrease in borrowings costs as compared to the corresponding period last year.

Contingent Liabilities

Other than disclosed in note 18 above, the Group did not have any material contingent liabilities as at 31 December 2021.

Capital Commitments

As at 31 December 2021, the Group had no significant capital commitment (30 June 2021: nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Financial Ratios

As at 31 December 2021, the Group's current ratio (calculated as current assets divided by current liabilities) was approximately 61.4% (30 June 2021: approximately 51.2%) and the gearing ratio (calculated as total borrowings divided by equity attributable to owners of the Company plus total borrowings) was approximately 32.4% (30 June 2021: approximately 35.4%). The ratio of total liabilities to total assets of the Group was approximately 72.9% (30 June 2021: approximately 71.7%).

Financial Resources

The Group generally finances its operations with internally generated cash flows, bank borrowings, loans from substantial shareholders and from independent third parties, and through the capital market available to listed companies in Hong Kong. As at 31 December 2021, the Group has bank balances and cash (including bank deposits, pledged bank deposits, and cash and cash equivalents) of approximately HK\$30.7 million (30 June 2021: approximately HK\$44.8 million), which were principally denominated in Hong Kong dollars, Pound Sterling, Renminbi and Japanese Yen. As at 31 December 2021, the Group had total borrowings of approximately HK\$251.8 million (30 June 2021: approximately HK\$293.8 million), with approximately HK\$80.6 million repayable on demand or within one year, approximately HK\$158.0 million repayable after one year and within two years, approximately HK\$12.4 million repayable after two years and within five years and approximately HK\$0.8 million repayable after five years. About 46.06%, 49.28%, 4.20% and 0.46% of these 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 financial strengths of the Group so as to pave the way for future business development. Cost control measures have already been put in place to monitor the day-to-day operational and administrative expenses.

The management closely reviews the financial resources of the Group in a cautious manner and continues to explore opportunities in external financing and equity funding. The Company will take proactive actions to improve the liquidity and financial position of the Group by way of equity fund raising exercises. The Company will closely monitor the market situation and take prompt actions when such opportunities arise.

Directors' Opinion on Sufficiency of Working Capital

As at 31 December 2021, the current liabilities of the Group exceeded current assets by approximately HK\$179.1 million (30 June 2021: approximately HK\$267.0 million). Ability of the Group to continue as a going concern depends on the financial resources presently available to the Group. Taking into account the expected financial performance, net cash expected to be generated from the operation of the Group and the available loan facilities, the Directors believe that the Group is able to fully meet its liabilities as and when they fall due and to carry on its business without a significant curtailment of operations for the foreseeable future.

Foreign Exchange Exposure

Exposure of the Group to foreign currency risk mainly relates to its 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, Renminbi, Japanese Yen and US dollars. 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 2021, 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 GBP0.8 million (equivalent to approximately HK\$8.4 million) (30 June 2021: GBP0.8 million which was equivalent to approximately HK\$8.6 million). In addition, the Group's transfer fee receivable from other football clubs with a carrying amount of GBP5.0 million (equivalent to approximately HK\$52.6 million) as at 31 December 2021 (30 June 2021: GBP15.0 million, equivalent to approximately HK\$161.3 million) were pledged to secure bank borrowings of the Group.

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

Capital Structure

As at 31 December 2021, the Company had an issued capital of 19,288,998,508 shares of HK\$0.01 each in issue (30 June 2021: 19,288,998,508 shares).

Use of Proceeds

On 7 June 2021, the Company completed the disposal of Birmingham City Stadium Ltd. The net proceeds from the disposal were approximately HK\$116.0 million (“Net Proceeds”), of which approximately HK\$103.5 million was utilised during the year ended 30 June 2021 as disclosed in the annual report of the Company for the same year. During the six months ended 31 December 2021, the remaining balance of the Net Proceeds of approximately HK\$12.5 million was used as general working capital. The Net Proceeds were fully utilised and were applied in accordance with the planned use. For details, please refer to the announcements of the Company dated 31 March 2021 and 7 June 2021.

HUMAN RESOURCES AND REMUNERATION POLICY

During the six months ended 31 December 2021, the Group employed on average approximately 270 full time employees and approximately 110 temporary staff members in Hong Kong, the PRC, the UK and Japan (30 June 2021: approximately 320 full time employees and approximately 60 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 share option scheme of the Company.

CORPORATE GOVERNANCE

The Company had complied with all the applicable provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 31 December 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry with the existing Directors, all of them confirmed that they had complied with the required standard set out in the Model Code during the six months ended 31 December 2021.

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 2021 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 2021 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 2021 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 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Company at *www.bshl.com.hk* and the Stock Exchange at *www.hkexnews.hk*. The interim report of the Company will be published on the websites of the Company and the Stock Exchange and will be despatched to the Shareholders in due course.

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

Hong Kong, 28 February 2022

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.