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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 2022

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 2022 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 2022

	<i>Notes</i>	Six months ended 31 December	
		2022	2021
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	108,946	111,375
Operating expenses		(196,218)	(237,701)
Loss from operations		(87,272)	(126,326)
Interest revenue		1,768	7,607
Other income	6	4,036	6,447
Other (losses)/gains, net	7	(17,228)	24,779
Football club segment compensation		83,382	89,559
Profit on sales of players' registration		4,938	22,348
Amortisation of intangible assets		(16,244)	(34,458)
Administrative and other expenses		(17,520)	(17,636)
Finance costs	8	(12,028)	(12,465)
Loss before taxation		(56,168)	(40,145)

		Six months ended 31 December	
		2022	2021
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Income tax credit	9	<u>1</u>	<u>1</u>
Loss for the period	10	(56,167)	(40,144)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of overseas subsidiaries		<u>766</u>	<u>5,015</u>
Total comprehensive expense for the period		<u>(55,401)</u>	<u>(35,129)</u>
Loss for the period attributable to:			
Owners of the Company		(28,373)	(10,291)
Non-controlling interests		<u>(27,794)</u>	<u>(29,853)</u>
		<u>(56,167)</u>	<u>(40,144)</u>
Total comprehensive expense for the period attributable to:			
Owners of the Company		(30,375)	(10,702)
Non-controlling interests		<u>(25,026)</u>	<u>(24,427)</u>
		<u>(55,401)</u>	<u>(35,129)</u>
			(Restated)
Loss per share attributable to owners of the Company			
– Basic (<i>HK cents</i>)	<i>12</i>	<u>(3.68)</u>	<u>(1.33)</u>
– Diluted (<i>HK cents</i>)	<i>12</i>	<u>(3.68)</u>	<u>(1.33)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	As at 31 December 2022 HK\$'000 (Unaudited)	As at 30 June 2022 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		35,458	34,341
Right-of-use assets		66,151	70,262
Intangible assets		68,667	72,936
Investment properties	13	470,652	477,594
Deposits, prepayments and other receivables		–	6,804
		640,928	661,937
Total non-current assets			
Current assets			
Inventories		31	54
Trade receivables	14	12,475	7,080
Deposits, prepayments and other receivables		77,680	128,641
Amount due from a related party	16	85,106	184,384
Pledged bank deposits		–	7,616
Bank balances and cash		27,899	28,092
		203,191	355,867
Total current assets			
Current liabilities			
Transfer fee payables		6,041	15,919
Trade payables	15	19,166	18,983
Accruals and other payables		44,029	63,320
Amount due to a related party	16	256,471	246,995
Contract liabilities		15,535	14,579
Borrowings	17	111,564	74,754
Lease liabilities		6,922	9,361
		459,728	443,911
Total current liabilities			
Net current liabilities		(256,537)	(88,044)
Total assets less current liabilities		384,391	573,893

		As at 31 December 2022 HK\$'000 (Unaudited)	As at 30 June 2022 HK\$'000 (Audited)
Non-current liabilities			
Transfer fee payables		15,335	–
Borrowings	<i>17</i>	53,317	274,395
Lease liabilities		71,158	74,405
Deferred tax liabilities		2,251	2,280
		<hr/>	<hr/>
Total non-current liabilities		142,061	351,080
		<hr/>	<hr/>
NET ASSETS		242,330	222,813
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Share capital	<i>18</i>	192,890	192,890
Reserves		320,933	295,120
		<hr/>	<hr/>
Equity attributable to owners of the Company		513,823	488,010
Non-controlling interests		(271,493)	(265,197)
		<hr/>	<hr/>
TOTAL EQUITY		242,330	222,813
		<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 2022. The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 31 December 2022 are the same as those followed in the preparation of the Group’s audited consolidated financial statements for the year ended 30 June 2022.

Going concern basis

The Group incurred a loss attributable to owners of the Company of approximately HK\$28,373,000 for the six months ended 31 December 2022 and as at 31 December 2022 the Group had net current liabilities of approximately HK\$256,537,000. 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 after taking into consideration that (i) the Group 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 Group has a loan facility from Oriental Rainbow Investments Limited (“Oriental Rainbow”), a non-controlling shareholder of subsidiaries of the Company and 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; (iii) the Group has a loan facility from Great Summit Ventures Limited, a wholly-owned subsidiary of a substantial shareholder of the Company under which an unsecured revolving loan facility up to HK\$100,000,000 has been granted to the Company; and (iv) the Group has a loan facility with aggregate amount of approximately HK\$22,350,000 from a third party lender.

As at 31 December 2022, the total carrying amount of the borrowings under the above facilities of the Group was approximately HK\$100,757,000. As at 31 December 2022, the Group had approximately HK\$571,593,000 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 2022. 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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Disaggregation of revenue:		
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>		
Commercial income	7,371	6,595
Match day receipts	7,828	7,037
Healthcare and medical related business ("Healthcare Business")	872	694
	<u>16,071</u>	<u>14,326</u>
<i>Recognised over time</i>		
Commercial income	10,986	15,352
Broadcasting	48,926	45,074
Match day receipts	10,546	13,894
Healthcare Business	31	–
	<u>70,489</u>	<u>74,320</u>
	<u>86,560</u>	<u>88,646</u>
Revenue from other sources:		
Commercial income	8,296	8,639
Rental income	14,090	14,090
	<u>22,386</u>	<u>22,729</u>
	<u><u>108,946</u></u>	<u><u>111,375</u></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.
 - Healthcare club membership fee are recognised over the contract period.

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 2022, the Group has three (31 December 2021: 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”) and other related business;
- (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 2022

	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>93,953</u>	<u>14,090</u>	<u>903</u>	<u>108,946</u>
Results				
Segment results	<u>(28,094)</u>	<u>5,609</u>	<u>(2,171)</u>	(24,656)
Interest revenue				6
Other income				328
Other (losses)/gains, net				(10,286)
Corporate expenses				(16,215)
Finance costs				<u>(5,345)</u>
Loss before taxation				(56,168)
Income tax credit				<u>1</u>
Loss for the period				<u>(56,167)</u>

Six months ended 31 December 2021

	Football club <i>HK\$'000</i> (Unaudited)	Investment in properties <i>HK\$'000</i> (Unaudited)	Healthcare Business <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue				
External sales	96,591	14,090	694	111,375
Results				
Segment results	(29,853)	10,896	(2,524)	(21,481)
Interest revenue				2
Other income				20
Other (losses)/gains, net				(34)
Corporate expenses				(16,392)
Finance costs				(2,260)
Loss before taxation				(40,145)
Income tax credit				1
Loss for the period				(40,144)

Segment results represent the profit or loss incurred by each segment without allocation of certain interest revenue, other income, other losses and gains, 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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The UK		
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>	15,199	13,632
<i>Recognised over time</i>	70,404	74,320
Revenue from other sources	8,296	8,639
	<u>93,899</u>	<u>96,591</u>
The PRC		
Revenue from contracts with customers:		
<i>Recognised over time</i>	54	–
	<u>54</u>	<u>–</u>
The Kingdom of Cambodia (“Cambodia”)		
Revenue from other sources	14,090	14,090
	<u>14,090</u>	<u>14,090</u>
Japan		
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>	872	694
<i>Recognised over time</i>	31	–
	<u>903</u>	<u>694</u>
	<u>108,946</u>	<u>111,375</u>

(ii) Non-current assets

	As at 31 December 2022	As at 30 June 2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Hong Kong	1,460	1,704
The PRC	88	76
Cambodia	470,652	477,594
The UK	168,480	182,318
Japan	248	245
	<u>640,928</u>	<u>661,937</u>

6. OTHER INCOME

	Six months ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Subsidies received from the Premier League (<i>Note (i)</i>)	3,708	6,118
Government subsidies (<i>Note (ii)</i>)	328	308
Sundry income	–	21
	<u>4,036</u>	<u>6,447</u>

Notes:

- (i) During the six months ended 31 December 2022, the Group's professional football operation received funding of approximately HK\$3,708,000 (six months ended 31 December 2021: approximately HK\$6,118,000) from the Premier League in the UK under the Elite Player Performance Plan upon fulfilment 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 (LOSSES)/GAINS, NET

	Six months ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Fair value change on investment properties	(6,942)	(1,716)
Insurance compensation arising on business interruption caused by COVID-19	–	26,529
Fixed assets written off	(1)	–
Foreign exchange loss (<i>Note (i)</i>)	(10,285)	(35)
Gain on termination of lease agreement	–	1
	<u>(17,228)</u>	<u>24,779</u>

Note:

- (i) Foreign exchange loss mainly arose from the football club segment compensation receivable, all are denominated in Pounds Sterling (“GBP”) which depreciated against Hong Kong dollars during the six months ended 31 December 2022.

8. FINANCE COSTS

	Six months ended 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest expenses on:		
– Other borrowings	5,291	1,941
– Bank borrowings	419	1,486
– Imputed interest arising on interest-free borrowings from Football League Limited (“Football League”)	947	1,776
– Notional interest on transfer fee payables	897	1,615
– Lease liabilities	4,474	5,647
	<u>12,028</u>	<u>12,465</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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Deferred tax:		
– Current period	<u>1</u>	<u>1</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 2022 and 2021.

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 2022 and 2021.

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 2022 and 2021.

10. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging the following items:

	Six months ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	16,244	34,458
Depreciation of property, plant and equipment	2,856	3,544
Depreciation of right-of-use assets	3,834	4,638
Foreign exchange loss	10,285	35
Expenses related to short-term lease	3,642	2,679
Staff costs (including directors' remuneration)	152,416	192,022
	<u>189,277</u>	<u>247,776</u>

11. DIVIDEND

No dividend was paid or proposed for the six months ended 31 December 2022 (six months ended 31 December 2021: nil), nor has any dividend been proposed since the end of the reporting periods.

12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic loss per share

Loss per share is calculated by dividing the loss for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period:

	Six months ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss:		
Loss attributable to owners of the Company		
for the purpose of calculating basic loss per share	<u>(28,373)</u>	<u>(10,291)</u>

	Six months ended 31 December	
	2022	2021
	(Unaudited)	(Unaudited)
		(Restated)
Number of shares:		
Weighted average number of ordinary shares for		
the purpose of calculating basic loss per share		
attributable to owners of the Company	<u>771,559,940</u>	<u>771,559,940</u>

The weighted average number of ordinary shares used to calculate the basic and diluted loss per share for both periods have been adjusted to reflect the share consolidation after the reporting period. Accordingly, the basic and diluted loss per share for the six months ended 31 December 2021 is restated.

Diluted loss per share

For the six months ended 31 December 2022 and 2021, the computation of diluted loss per share does not assume the exercise of share options as they would decrease the loss per share attributable to owners of the Company and have anti-dilutive effect.

13. INVESTMENT PROPERTIES

The carrying amount of the Group's investment properties as at 31 December 2022 and 30 June 2022 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\$6,942,000 was recognised in profit or loss during the six months ended 31 December 2022 (six months ended 31 December 2021: approximately HK\$1,716,000).

As at 31 December 2022, investment properties of the Group were stated at fair values of approximately HK\$470,652,000 (30 June 2022: approximately HK\$477,594,000).

The Group leases out its investment properties under operating leases. The average lease term is three years. All leases are on a fixed rental basis and do not include variable lease payments.

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 2022 HK\$'000 (Unaudited)	As at 30 June 2022 HK\$'000 (Audited)
Within 30 days	5,186	4,657
31 days to 90 days	2,597	778
91 days to 180 days	3,874	807
181 days to 365 days	570	838
Over 365 days	248	–
	12,475	7,080

15. TRADE PAYABLES

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

	As at 31 December 2022 HK\$'000 (Unaudited)	As at 30 June 2022 HK\$'000 (Audited)
Within 30 days	4,519	6,756
31 days to 90 days	8,648	7,291
91 days to 180 days	3,791	2,636
181 days to 365 days	736	1,045
Over 365 days	1,472	1,255
	<u>19,166</u>	<u>18,983</u>

The credit periods of the Group's trade payables normally granted from suppliers averaging at 90 days (30 June 2022: 90 days).

16. AMOUNT DUE FROM/TO A RELATED PARTY

	As at 31 December 2022 HK\$'000 (Unaudited)	As at 30 June 2022 HK\$'000 (Audited)
Amount due from a related party (<i>Note (i)</i>)	85,106	184,384
Amount due to a related party (<i>Note (ii)</i>)	256,471	246,995

Notes:

- (i) Amount due from a related party of approximately HK\$85,106,000 (30 June 2022: approximately HK\$184,384,000) represented the compensation income from football club segment in the UK receivable from Oriental Rainbow under the profit and loss sharing arrangement between the Company and Oriental Rainbow pursuant to the shareholders' agreement dated 9 October 2020. For details of the shareholders' agreement, please refer to the announcement of the Company dated 9 October 2020 and the circular of the Company dated 17 November 2020. The balances are denominated in Pounds Sterling, interest-free, unsecured and repayable on demand. The maximum amount outstanding during the period is approximately HK\$184,384,000.
- (ii) The carrying amount of approximately HK\$256,471,000 as at 31 December 2022 (30 June 2022: approximately HK\$246,995,000) represented amount due to Oriental Rainbow. The balances are denominated in Pounds Sterling and are unsecured, interest-free and have no fixed repayment term.

17. BORROWINGS

	As at 31 December 2022 HK\$'000 (Unaudited)	As at 30 June 2022 HK\$'000 (Audited)
Bank borrowings, secured	–	44,489
Other borrowings, unsecured:		
– Loan from Football League	40,908	54,595
– Loan from substantial shareholders	83,391	233,049
– Loan from third parties	40,408	16,840
– Other loan	174	176
	<u>164,881</u>	<u>349,149</u>

As at 31 December 2022 and 30 June 2022, total borrowings were repayable as follows:

	As at 31 December 2022 Other borrowings HK\$'000 (Unaudited)	As at 30 June 2022		
		Bank borrowings HK\$'000 (Audited)	Other borrowings HK\$'000 (Audited)	Total HK\$'000 (Audited)
Carrying amounts repayable:*				
– On demand or within one year	111,564	44,489	30,265	74,754
– Between one and two years	52,503	–	212,850	212,850
– Between two and five years	360	–	61,038	61,038
– Over five years	454	–	507	507
	<u>164,881</u>	<u>44,489</u>	<u>304,660</u>	<u>349,149</u>
Less: Amounts due within one year shown as current liabilities	<u>(111,564)</u>	<u>(44,489)</u>	<u>(30,265)</u>	<u>(74,754)</u>
Amounts shown as non-current liabilities	<u>53,317</u>	<u>–</u>	<u>274,395</u>	<u>274,395</u>

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

	As at 31 December 2022 HK\$'000 (Unaudited)	As at 30 June 2022 HK\$'000 (Audited)
Carrying amounts are denominated in the following currencies:		
Hong Kong dollars	103,391	233,049
Pounds Sterling	43,244	101,449
Renminbi	17,366	13,734
Japanese Yen	880	917
	<u>164,881</u>	<u>349,149</u>
Effective interest rates per annum:		
Hong Kong dollars	4.50% – 8.50%	4.50%
Pounds Sterling	0.00% – 6.00%	0.00% – 6.00%
Renminbi	5.00%	5.00%
Japanese Yen	0.46%	0.46%

18. SHARE CAPITAL

	Number of shares	Amount HK\$'000
<i>Ordinary shares of HK\$0.01 each</i>		
Authorised:		
At 1 July 2021 (audited), 1 July 2022 (audited) and 31 December 2022 (unaudited)	<u>50,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 July 2021 (audited) and 1 July 2022 (audited)	19,288,998,508	192,890
Issue of shares upon exercise of share options (<i>Note(i)</i>)	<u>17</u>	<u>—*</u>
At 31 December 2022 (unaudited)	<u>19,288,998,525</u>	<u>192,890</u>

Note:

- (i) During the six months ended 31 December 2022, a total of 17 new ordinary shares of the Company of HK\$0.01 each were issued upon exercise of the share options of the Company. The new shares rank *pari passu* with the existing shares of the Company in all respects.

* Amount less than HK\$1,000.

19. CONTINGENT LIABILITIES

Player transfer costs

As at 31 December 2022, 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 2022 was approximately HK\$85,916,000 (equivalent to approximately GBP9,140,000) (30 June 2022: approximately HK\$67,315,000, equivalent to approximately GBP7,071,000).

20. EVENT AFTER THE REPORTING PERIOD

On 21 December 2022, the Board proposed to implement the share consolidation on the basis that every twenty-five (25) issued and unissued ordinary shares of HK\$0.01 each (the “Original Share(s)”) was consolidated into one (1) consolidated ordinary share of HK\$0.25 each (the “Consolidated Share(s)”) (the “Share Consolidation”); and the Board also proposed to change the board lot size for trading in shares on the Stock Exchange from 20,000 Original Shares to 2,000 Consolidated Shares (the “Change in Board Lot Size”).

On 2 February 2023, the Share Consolidation was duly approved by the shareholders of the Company (the “Shareholders”) at an extraordinary general meeting of the Company. Accordingly, the Share Consolidation and the Change in Board Lot Size became effective on 6 February 2023 and (i) 19,288,998,525 Original Shares in issue had been consolidated into 771,559,941 Consolidated Shares; and (ii) the then authorised share capital of the Company HK\$500,000,000 divided into 50,000,000,000 Original Shares of par value of HK\$0.01 each had been adjusted to HK\$500,000,000 divided into 2,000,000,000 Consolidated Shares of par value of HK\$0.25 each.

In addition, as a result of the Share Consolidation, immediately upon the Share Consolidation becoming effective on 6 February 2023, (i) 278,350,498 outstanding share options of the exercise price of HK\$0.09736 had been adjusted to 11,134,016 share options of the exercise price of HK\$2.434; and (ii) the maximum number of shares which may fall to be issued under the scheme limit of the share option scheme of the Company had been adjusted to 70,840,090 Consolidated Shares pursuant to the terms of the share option scheme of the Company.

For details of the Share Consolidation and the Change in Board Lot Size, please refer to the announcements of the Company dated 21 December 2022, 2 February 2023 and 3 February 2023, and the circular of the Company dated 10 January 2023.

Save as disclosed in this announcement, up to the date of this announcement, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the six months ended 31 December 2022.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 December 2022 (six months ended 31 December 2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Performance and Results

For the six months ended 31 December 2022, the revenue of the Group was approximately HK\$108.9 million (six months ended 31 December 2021: approximately HK\$111.4 million), representing a decrease of approximately 2.2% as compared with last year.

The Group recorded a loss attributable to owners of the Company of approximately HK\$28.4 million for the six months ended 31 December 2022, representing an increase of approximately 175.7% as compared to the loss of approximately HK\$10.3 million for the corresponding period last year. The increase in loss was mainly attributable to (i) the significant increase in foreign exchange loss arising from the devaluation of Pounds Sterling; (ii) the decrease in profit on sales of players' registration; (iii) absence of insurance compensation on business interruption caused by COVID-19; and (iv) the increase in loss arising on fair value change on investment properties during the six months ended 31 December 2022, which were partly offset by (i) the decrease in players' costs and relevant expenses during the period under review; and (ii) the expected compensation from the football club segment under the profit and loss sharing arrangement between the Company and Oriental Rainbow.

The basic loss per share for the six months ended 31 December 2022 was approximately HK3.68 cents (six months ended 31 December 2021: approximately HK1.33 cents (restated)).

Business Review and Prospect

During the six months ended 31 December 2022, the Group is principally engaged in three reportable business segments: (i) operation of a professional football club in the UK and other related business; (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 20th position in the EFL Championship Division for the season 2021/22, the Club continued to play in the highly competitive Championship Division in the season 2022/23. As at the date of this announcement, the Club stood at the 19th position in the Championship Division. Since the UK government uplifted most of the coronavirus related restrictions, the Club has substantially resumed its business back to normal. During the period under review, the Club recorded a revenue of approximately GBP10.2 million, representing an increase of approximately 12.0% over the same period last year. However, the adverse effect of devaluation of Pounds Sterling caused by, among others, the unstable political environment and serious inflation pressure had more than offset the increase in business. In terms of Hong Kong dollars, the revenue of the Club decreased by approximately 2.8% to approximately HK\$93.9 million as compared to the same period last year.

The Birmingham City Football Academy (the “Academy”) operates as a Category 2 Academy for the season 2022/23 under the Elite Player Performance Plan. The Academy has a clear pathway that exists from our Academy to our first team and remains committed to producing players capable of competing for places in the senior squad. 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.

Since December 2020, the lower KOP stand and Tilton Road End of St. Andrew’s Stadium were closed for structural maintenance. The overall income from match day receipts was reduced during the time when the two stands were closed. During the period under review, the Club engaged engineering consultants to assess and evaluate the scope of work and the cost budget required for the maintenance. Up to the date of this announcement, the assessment is still ongoing and the Club is in the course of negotiating the contracts with relevant parties of the work. The Club targets to complete the maintenance of stands in early season 2023/24.

The Club received a notice from the EFL on or about 20 February 2023 with respect to its charges of BCFC with alleged breaches of the EFL Regulations following the conclusion of EFL’s investigation into the proposed acquisition of control of the Club (the “Charges”). The matters are referred to an independent disciplinary commission. None of the Company and the Directors are charged by the EFL. The Company will keep the Shareholders and potential investors informed of any further material developments in connection with the above matters by way of further announcements in accordance with the Listing Rules as and when appropriate.

(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 2022, the Group recorded rental income of approximately HK\$14.1 million from the investment properties.

As at 31 December 2022, investment properties of the Group were stated at fair value and amounted to approximately HK\$470.7 million (30 June 2022: approximately HK\$477.6 million) representing approximately 55.8% (30 June 2022: approximately 46.9%) 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 2022, the Group recorded income of approximately HK\$0.9 million from this business segment. The Japanese government reopened its borders to individual travellers in October 2022 and most of the pandemic control measures in Japan were relaxed, such measures had a positive impact on the Healthcare Business in Japan. The management is ambitious to promote the development of this business segment with an aim to gradually build a substantial healthcare service segment in future.

Outlook

Throughout the period under review, although the world economy has been picking up, the overall economic environment has yet to recover back to the level before the coronavirus (COVID-19) pandemic outbreak. Global economic growth had been slowing down sharply. The inflationary pressures around the world triggered substantial increase in the interest rate in most of the major economies. The Russian-Ukraine war and the intensified political tension amongst China, United States and Taiwan induced many more uncertainties and disruptions to the business environment. These challenges affected all businesses and industries, and no one can stay aloof or immune from them.

Looking ahead, the global economic and geopolitical conflicts will likely remain uncertain. Faced with growing inflationary pressures and tightened monetary policy, the management will continue to look for investment opportunities around the world in a prudent and proactive manner so as to expand the business portfolio of the Group. The management will strive to identify suitable opportunities with potential which can bring value to the Group and the Shareholders as a whole.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the six months ended 31 December 2022 was approximately HK\$108.9 million (six months ended 31 December 2021: approximately HK\$111.4 million), representing a decrease of approximately 2.2% over the same period last year.

The revenue from the football club segment for the six months ended 31 December 2022 was approximately HK\$94.0 million (six months ended 31 December 2021: approximately HK\$96.6 million), representing a decrease of approximately 2.7% compared with the corresponding period in 2021. The decrease was mainly due to the devaluation of Pounds Sterling during the period under review.

The revenue derived from the investment properties for the six months ended 31 December 2022 was approximately HK\$14.1 million (six months ended 31 December 2021: 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 2022 was approximately HK\$0.9 million (six months ended 31 December 2021: approximately HK\$0.7 million), representing an increase of approximately 30.1% over the same period last year.

Operating Expenses

Operating expenses incurred during the six months ended 31 December 2022 were approximately HK\$196.2 million (six months ended 31 December 2021: approximately HK\$237.7 million), representing a decrease of approximately 17.5% over the same period in 2021. The decrease in operating expenses were mainly attributable to lower operating expenses of the Club and devaluation of Pounds Sterling during the period under review.

Other Income

Other income during the six months ended 31 December 2022 was approximately HK\$4.0 million (six months ended 31 December 2021: approximately HK\$6.4 million) which was approximately 37.4% lower than that during the six months ended 31 December 2021. The decrease in other income was mainly attributable to less subsidies received from the Premier League.

Other (Losses)/Gains, Net

Other losses and gains for the six months ended 31 December 2022 recorded a loss of approximately HK\$17.2 million (six months ended 31 December 2021: gain of approximately HK\$24.8 million). Other losses and gains mainly include (i) loss arising on changes in fair value of investment properties of approximately HK\$6.9 million; and (ii) the foreign exchange loss of approximately HK\$10.3 million. The turnaround from gain to loss was mainly attributable to absence of insurance compensation arising on business interruption caused by COVID-19.

Football Club Segment Compensation

Football club segment compensation for the six months ended 31 December 2022 was approximately HK\$83.4 million (six months ended 31 December 2021: approximately HK\$89.6 million). The compensation represented the compensation receivable from Oriental Rainbow, a non-controlling shareholder of the Club, pursuant to the shareholders' agreement between the Company and Oriental Rainbow whereby Oriental Rainbow undertook to the Company that it would pay a compensation to the Company equivalent to the Company's share of loss after taxation of the Club.

Profit on Sales of Players' Registration

Profit on sales of players' registration for the six months ended 31 December 2022 was approximately HK\$4.9 million (six months ended 31 December 2021: approximately HK\$22.3 million). The decrease was mainly because lower revenue from sales of players' registration were generated during the six months ended 31 December 2022.

Amortisation of intangible assets

Amortisation of intangible assets during the period under review was approximately HK\$16.2 million (six months ended 31 December 2021: approximately HK\$34.5 million), representing a decrease of approximately 52.9% over the same period in 2021. The decrease were primarily due to certain players' registration being fully amortised during the year ended 30 June 2022 and devaluation of Pounds Sterling during the period under review.

Administrative and Other Expenses

Administrative and other expenses for the six months ended 31 December 2022 amounted to approximately HK\$17.5 million (six months ended 31 December 2021: approximately HK\$17.6 million), which included mainly depreciation charges, professional fees, staff costs and office overheads. 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 2022, the Group incurred finance costs of approximately HK\$12.0 million (six months ended 31 December 2021: approximately HK\$12.5 million), representing a decrease of approximately 3.5% as compared to the corresponding period in the previous year. Such decrease was mainly attributable to the decrease in interest on lease liabilities and notional interest on transfer fee payables, which was partially offset by increase in other borrowing costs as compared to the corresponding period last year.

Contingent Liabilities

Other than disclosed in note 19 above, the Group did not have any material contingent liabilities as at 31 December 2022.

Capital Commitments

As at 31 December 2022, the Group had no significant capital commitment (30 June 2022: nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Financial Ratios

As at 31 December 2022, the Group's current ratio (calculated as current assets divided by current liabilities) was approximately 44.2% (30 June 2022: approximately 80.2%) and the gearing ratio (calculated as total borrowings divided by equity attributable to owners of the Company plus total borrowings) was approximately 24.3% (30 June 2022: approximately 41.7%). The ratio of total liabilities to total assets of the Group was approximately 71.3% (30 June 2022: approximately 78.1%).

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 2022, the Group has bank balances and cash (including bank deposits, pledged bank deposits, and cash and cash equivalents) of approximately HK\$27.9 million (30 June 2022: approximately HK\$35.7 million), which were principally denominated in Hong Kong dollars, Pounds Sterling, Renminbi and Japanese Yen. As at 31 December 2022, the Group had total borrowings of approximately HK\$164.9 million (30 June 2022: approximately HK\$349.1 million), with approximately HK\$111.6 million repayable on demand or within one year, approximately HK\$52.5 million repayable after one year and within two years, approximately HK\$0.4 million repayable after two years and within five years and approximately HK\$0.4 million repayable after five years. About 62.71%, 26.23%, 10.53% and 0.53% of these borrowings were denominated in Hong Kong dollars, Pounds 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 2022, the current liabilities of the Group exceeded current assets by approximately HK\$256.5 million (30 June 2022: approximately HK\$88.0 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 Pounds 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 2022, the Group did not make any pledged bank deposit (30 June 2022: GBP0.8 million which was equivalent to approximately HK\$7.6 million) and the Group did not have transfer fee receivable from other football clubs (30 June 2022: GBP5.0 million, equivalent to approximately HK\$47.6 million) pledged to secure bank borrowings of the Group.

As at 31 December 2022, the Group had no material charge of assets.

Capital Structure

As at 31 December 2022, the Company had an issued capital of 19,288,998,525 shares of HK\$0.01 each (30 June 2022: 19,288,998,508 shares). For details of issued shares adjustment after the reporting period, please refer to the paragraph headed "Event after the Reporting Period" of this announcement.

HUMAN RESOURCES AND REMUNERATION POLICY

During the six months ended 31 December 2022, the Group employed on average approximately 280 full time employees and approximately 100 temporary staff members in Hong Kong, the PRC, the UK and Japan (30 June 2022: approximately 270 full time employees and approximately 110 temporary staff members) and the total staff costs of the Group amounted to approximately HK\$152.4 million (six months ended 31 December 2021: approximately HK\$192.0 million). 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.

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 2022 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 2022 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 2022 have been reviewed by the Audit Committee and have been duly approved by the Board under the recommendation of the Audit Committee.

CORPORATE GOVERNANCE

The Company had complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 31 December 2022.

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 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 31 December 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

EVENT AFTER THE REPORTING PERIOD

On 21 December 2022, the Board proposed to implement the share consolidation on the basis that every twenty-five (25) issued and unissued ordinary shares of HK\$0.01 each was consolidated into one (1) consolidated ordinary share of HK\$0.25 each; and the Board also proposed to change the board lot size for trading in shares on the Stock Exchange from 20,000 Original Shares to 2,000 new shares. The Share Consolidation was approved by the Shareholders on 2 February 2023. The Share Consolidation and the Change in Board Lot Size became effective on 6 February 2023. As at the date of this announcement, the Company had an issued capital of 771,559,941 shares of HK\$0.25 each. For details of the Share Consolidation and the Change in Board Lot Size, please refer to the announcements of the Company dated 21 December 2022, 2 February 2023 and 3 February 2023, and the circular of the Company dated 10 January 2023.

Save as disclosed in this announcement, up to the date of this announcement, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the six months ended 31 December 2022.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT 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 2023

As at the date of this announcement, the Board comprises eight Directors, namely Mr. Zhao Wenqing (Chairman), Mr. Huang Dongfeng (Chief Executive Officer), Mr. Yiu Chun Kong 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.