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HK1803

北京體育文化產業集團有限公司  
BEIJING SPORTS AND ENTERTAINMENT INDUSTRY GROUP LIMITED

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1803)**

## **ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020**

The board of directors (the “**Board**” or “**Directors**”) of Beijing Sports and Entertainment Industry Group Limited (the “**Company**”) announces the consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) prepared in accordance with Hong Kong Financial Reporting Standards for the year ended 31 December 2020, together with the comparative figures for the year 2019, as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
YEAR ENDED 31 DECEMBER 2020**

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
REVENUE	4, 5	<b>120,877</b>	175,932
Cost of sales		<b>(109,689)</b>	(127,227)
Gross profit		<b>11,188</b>	48,705
Other income and gains	5	<b>34,224</b>	19,653
Selling and distribution expenses		<b>(11,974)</b>	(8,642)
Administrative expenses		<b>(44,122)</b>	(59,207)
Impairment losses on financial and contract assets		<b>(19,414)</b>	(41,377)
Other expenses and losses		<b>(7,495)</b>	(28,707)
Finance costs		<b>(3,115)</b>	(4,256)
Share of loss of an associate		<b>(58)</b>	(60)
LOSS BEFORE TAX	6	<b>(40,766)</b>	(73,891)
Income tax credit/(expense)	7	<b>6,232</b>	(350)
LOSS FOR THE YEAR		<b><u>(34,534)</u></b>	<b><u>(74,241)</u></b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Debt investments at fair value through other comprehensive income:			
Changes in fair value		<b>(929)</b>	(1,350)
Reclassification adjustments for losses included in profit or loss:			
Loss on disposal		<b>2,962</b>	884
Impairment losses		<b>4,844</b>	1,910
Income tax effect		<b>(1,142)</b>	(238)
		<b>5,735</b>	1,206

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME (CONTINUED)  
YEAR ENDED 31 DECEMBER 2020**

	<i>Note</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Exchange differences:			
Exchange differences on translation of foreign operations		<u>(3,626)</u>	<u>321</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<u>2,109</u>	<u>1,527</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		<u>2,109</u>	<u>1,527</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<u><b>(32,425)</b></u>	<u><b>(72,714)</b></u>
Loss attributable to:			
Owners of the Company		<u>(11,862)</u>	<u>(63,417)</u>
Non-controlling interests		<u>(22,672)</u>	<u>(10,824)</u>
		<u><b>(34,534)</b></u>	<u><b>(74,241)</b></u>
Total comprehensive loss attributable to:			
Owners of the Company		<u>(14,507)</u>	<u>(59,979)</u>
Non-controlling interests		<u>(17,918)</u>	<u>(12,735)</u>
		<u><b>(32,425)</b></u>	<u><b>(72,714)</b></u>
<b>LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<b>8</b>		
Basic and diluted		<u><b>HK(0.9) cents</b></u>	<u><b>HK(4.9) cents</b></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**31 DECEMBER 2020**

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>75,427</b>	62,532
Investment properties		<b>21,435</b>	20,842
Right-of-use assets		<b>39,578</b>	39,666
Goodwill		<b>37,692</b>	37,692
Other intangible assets		<b>657</b>	11,589
Investment in an associate		<b>566</b>	106
Prepayments, other receivables and other assets		<b>11,731</b>	7,967
Contract assets		<b>6,020</b>	11,637
Trade receivables	<i>9</i>	<b>119</b>	1,670
Debt investments at fair value through other comprehensive income		<b>25,073</b>	67,576
Financial assets at fair value through profit or loss		<b>23,791</b>	25,203
Deferred tax assets		<b>22,378</b>	17,671
		<hr/>	<hr/>
Total non-current assets		<b>264,467</b>	304,151
<b>CURRENT ASSETS</b>			
Inventories		<b>13,851</b>	7,615
Contract assets		<b>76,883</b>	69,200
Trade and bills receivables	<i>9</i>	<b>72,435</b>	84,007
Prepayments, other receivables and other assets		<b>28,064</b>	9,772
Debt investments at fair value through other comprehensive income		<b>23,573</b>	29,098
Financial assets at fair value through profit or loss		<b>31,759</b>	72,056
Restricted bank deposits		<b>26,210</b>	5,584
Cash and bank balances		<b>116,547</b>	128,657
		<hr/>	<hr/>
Total current assets		<b>389,322</b>	405,989

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(CONTINUED)  
31 DECEMBER 2020**

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>10</i>	<b>90,729</b>	107,496
Other payables and accruals		<b>86,448</b>	70,042
Interest-bearing bank and other borrowings		<b>6,766</b>	33,480
Lease liabilities		<b>3,345</b>	11,223
Tax payable		<b>10,002</b>	10,484
		<hr/>	<hr/>
Total current liabilities		<b>197,290</b>	232,725
		<hr/>	<hr/>
NET CURRENT ASSETS		<b>192,032</b>	173,264
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>456,499</b>	477,415
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		<b>30,592</b>	22,600
Lease liabilities		<b>16,601</b>	10,712
Deferred tax liabilities		<b>60</b>	2,432
		<hr/>	<hr/>
Total non-current liabilities		<b>47,253</b>	35,744
		<hr/>	<hr/>
<b>Net assets</b>		<b>409,246</b>	441,671
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<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>11</i>	<b>6,510</b>	6,510
Reserves		<b>317,674</b>	332,181
		<hr/>	<hr/>
		<b>324,184</b>	338,691
		<hr/>	<hr/>
Non-controlling interests		<b>85,062</b>	102,980
		<hr/>	<hr/>
Total equity		<b>409,246</b>	441,671
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# NOTES TO FINANCIAL STATEMENTS

## 1. CORPORATE AND GROUP INFORMATION

Beijing Sports and Entertainment Industry Group Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 16 January 2012. The address of its registered office is 3rd Floor, Queensgate House, 113 South Church Street, P.O. Box 10240, Grand Cayman, KY1-1002 Cayman Islands. The principal place of business of the Company in Hong Kong is Room 101, 5/F., Greatmany Centre, 111 Queen’s Road East, Wanchai, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in the sports and entertainment-related industry in the People’s Republic of China (the “PRC”) with focus in air dome construction, operation and management.

In the opinion of the Directors, the major shareholder of the Company is Beijing Enterprises Medical and Health Industry Group Limited which was incorporated in the Cayman Islands, and the shares of which are listed on the Stock Exchange.

## 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for debt investments at fair value through other comprehensive income (“FVOCI”), financial assets at fair value through profit or loss (“FVPL”) and bills receivable, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income/(loss) is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “Conceptual Framework”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.



- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group’s office buildings and sports stadium have been waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of HK\$675,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any impact on the Group’s condensed consolidated financial information.

#### 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments: (a) sports and entertainment segment engaging in air dome construction, operation and management and other newly initiated businesses such as sports industry related consultation and management services and (b) others segment involved in other operating activities.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment loss, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, investment income and return from financial assets at FVPL, investment income and return from debt investments at FVOCI, loss on disposal of debt investments at FVOCI, impairment of debt investments at FVOCI, net, loss on disposal of subsidiaries, non-lease-related finance costs as well as head office and corporate expenses are excluded from such measurement.

Year ended 31 December 2020	Sports and entertainment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>			
Sales to external customers	<u>118,371</u>	<u>2,506</u>	<u>120,877</u>
<b>Segment results</b>	<b>(52,793)</b>	<b>(965)</b>	<b>(53,758)</b>
<i>Reconciliation:</i>			
Interest income			1,845
Investment income and return from financial assets at FVPL			3,636
Investment income and return from debt investments at FVOCI			5,284
Loss on disposal of debt investments at FVOCI			(2,962)
Impairment of debt investments at FVOCI, net			(4,844)
Corporate and unallocated expenses, net			11,587
Finance costs (other than interest on lease liabilities)			<u>(1,554)</u>
Loss before tax			<u><u>(40,766)</u></u>

Year ended 31 December 2020	Sports and entertainment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Other segment information:</b>			
Impairment of trade receivables, net	4,126	58	4,184
Impairment of contract assets, net	10,386	–	10,386
Impairment of investment properties, net	(323)	–	(323)
Impairment of property, plant and equipment	543	–	543
Loss on disposal of property, plant and equipment	18	–	18
Loss on disposal of other intangible assets	65	–	65
Gain on disposal of an associate	137	–	137
Depreciation and amortisation	19,795	–	19,795
Impairment of inventories	1,177	–	1,177
Capital expenditure*	11,985	–	11,985

Year ended 31 December 2019	Sports and entertainment <i>HK\$'000</i>	Logistics <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>				
Sales to external customers	168,052	170	7,710	175,932
<b>Segment results</b>				
	(61,383)	(6,230)	(773)	(68,386)
<i>Reconciliation:</i>				
Interest income				2,581
Investment income and return from financial assets at FVPL				6,290
Investment income and return from debt investments at FVOCI				8,069
Impairment of debt investments at FVOCI, net				(1,910)
Loss on disposal of subsidiaries				(1,108)
Corporate and unallocated expenses				(18,663)
Finance costs (other than interest on lease liabilities)				(764)
Loss before tax				(73,891)

**Other segment information:**

Impairment of trade receivables, net	13,762	–	21	13,783
Impairment of contract assets, net	2,367	–	–	2,367
Impairment of other receivables, net	23,317	–	–	23,317
Impairment of investment properties	252	–	–	252
Impairment of property, plant and equipment	15,860	–	–	15,860
Loss on disposal of property, plant and equipment	475	–	–	475
Depreciation and amortisation	20,449	24	–	20,473
Capital expenditure*	56,729	–	–	56,729

\* Capital expenditure consists of additions to property, plant and equipment and other intangible assets.

## Geographical information

### (a) Revenue from external customers

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Mainland China	<b><u>120,877</u></b>	<u>175,932</u>

The revenue information above is based on the locations of the customers.

### (b) Non-current assets

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Mainland China	<b>157,811</b>	158,285
Hong Kong	<b><u>35,414</u></b>	<u>35,416</u>
	<b><u>193,225</u></b>	<u>193,701</u>

The non-current asset information above is based on the locations of the assets and excludes debt investment at FVOCI, financial assets at FVPL and deferred tax assets. The Group's non-current assets arising from operations included trade and other receivables with an aggregate amount of RMB3,584,000 (2019: RMB8,442,000) which are located in Mainland China.

## Information about major customers

In 2020, revenue of approximately HK\$20,555,000 was derived from provision of air dome construction services by sports and entertainment segment to a single customer. In 2019, revenue of approximately HK\$33,722,000 was derived from provision of air dome construction services by sports and entertainment segment to another single customer.

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers	<u>120,877</u>	<u>175,932</u>

### Revenue from contracts with customers

#### (a) *Disaggregated revenue information*

##### For the year ended 31 December 2020

Segments	Sports and entertainment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Types of goods or services</b>			
Provision of air dome construction services	110,893	–	110,893
Rendering of operation and management services and other sports related services	7,478	–	7,478
Sale of goods	–	2,506	2,506
Total revenue from contracts with customers	<u>118,371</u>	<u>2,506</u>	<u>120,877</u>
<b>Timing of revenue recognition</b>			
Goods/services transferred at a point in time	50,627	2,506	53,133
Services transferred over time	67,744	–	67,744
Total revenue from contracts with customers	<u>118,371</u>	<u>2,506</u>	<u>120,877</u>

For the year ended 31 December 2019

Segments	Sports and entertainment <i>HK\$'000</i>	Logistics <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Types of goods or services</b>				
Provision of air dome construction services	154,980	–	–	154,980
Rendering of operation and management services and other sports related services	13,072	–	–	13,072
Rendering of air freight services	–	170	–	170
Sale of goods	–	–	7,710	7,710
	<u>168,052</u>	<u>170</u>	<u>7,710</u>	<u>175,932</u>
Total revenue from contracts with customers	<u>168,052</u>	<u>170</u>	<u>7,710</u>	<u>175,932</u>
<b>Timing of revenue recognition</b>				
Goods/services transferred at a point in time	20,474	170	7,710	28,354
Services transferred over time	147,578	–	–	147,578
	<u>168,052</u>	<u>170</u>	<u>7,710</u>	<u>175,932</u>
Total revenue from contracts with customers	<u>168,052</u>	<u>170</u>	<u>7,710</u>	<u>175,932</u>

During the year, the Group recognised revenue of HK\$3,210,000 (2019: HK\$2,423,000) that were included in the contract liabilities in respect of the provision of air dome construction services, the rendering of operation and management services and other sports related services at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods.

**(b) Performance obligations**

Information about the Group's performance obligations is summarised below:

*Provision of air dome construction services and rendering of operation and management services and other sports related services*

The performance obligation is satisfied over time or at the point in times as services are rendered.

*Sale of goods*

The performance obligation is satisfied upon delivery of the goods and the payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Amounts expected to be recognised as revenue:		
Within one year	<b>123,928</b>	123,719
After one year	<u>          –</u>	<u>          7,710</u>
	<b><u>123,928</u></b>	<b><u>131,429</u></b>

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to rendering of other sports and entertainment services of which the performance obligations are generally to be satisfied within one to three years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Other income</b>		
Bank interest income	<b>223</b>	198
Other interest income	<b>1,622</b>	2,383
Investment income and return from financial assets at FVPL	<b>3,636</b>	6,290
Investment income and return from debt investments at FVOCI	<b>5,284</b>	8,069
Gross rental income from investment property operating leases	<u><b>2,071</b></u>	<u>1,943</u>
	<b><u>12,836</u></b>	<b><u>18,883</u></b>
<b>Gains</b>		
Foreign exchange differences, net	<b>20,341</b>	–
Gain on disposal of an associate	<b>137</b>	–
Gain on termination of right-of-use assets	<b>188</b>	–
Government subsidies	<b>289</b>	56
Others	<u><b>433</b></u>	<u>714</u>
	<b><u>21,388</u></b>	<b><u>770</u></b>
	<b><u>34,224</u></b>	<b><u>19,653</u></b>

## 6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of construction contracts	84,042	95,570
Cost of services provided	909	2,062
Cost of inventories sold	4,184	6,800
Depreciation of property, plant and equipment	3,218	2,835
Depreciation of investment properties	1,117	2,670
Depreciation of right-of-use assets	4,399	3,576
Amortisation of other intangible assets	11,061	11,392
Research and development costs	8,229	13,097
Lease payments not included in the measurement of lease liabilities	436	4,973
Auditor's remuneration	2,717	2,765
Employee benefit expenses (excluding directors' and chief executive's remuneration:		
Wages and salaries	27,993	27,435
Equity-settled share option expense	–	521
Pension scheme contributions	3,456	7,435
	<u>31,449</u>	<u>35,391</u>
Foreign exchange differences, net*	–	7,914
Impairment of property, plant and equipment*	543	15,860
Impairment of investment properties, net*	(323)	252
Impairment of inventories*	1,177	–
Impairment of financial and contract assets:		
Impairment of other receivables, net	–	23,317
Impairment of contract assets, net	10,386	2,367
Impairment of trade receivables, net	4,184	13,783
Impairment of debt investments at FVOCI, net	4,844	1,910
Direct operating expenses (including repairs and maintenance arising from rental-earning investing properties)*	1,534	–
Loss on disposal of property, plant and equipment*	18	475
Loss on disposal of other intangible assets*	65	–
Loss on disposal of debt investments at FVOCI, net*	2,962	–
Loss on disposal of subsidiaries*	–	1,108
	<u><u>31,449</u></u>	<u><u>35,391</u></u>

\* These items are included in "Other expenses and losses" in profit or loss of the consolidated statement of profit or loss and other comprehensive income.



## 7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for the Company which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of the Company are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 16.5%).

The Group's operations in Mainland China are subject to the PRC corporate income tax. The standard PRC corporate income tax rate is 25% (2019: 25%), except for two (2019: one) PRC subsidiaries which are entitled to a preferential tax rate at 15% (2019: 15%).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	<b>897</b>	888
Current – Mainland China		
Charge for the year	<b>52</b>	10,724
Overprovision in prior years	<b>(140)</b>	(39)
Deferred	<b>(7,041)</b>	(11,223)
Total tax charge/(credit) for the year	<b><u>(6,232)</u></b>	<b><u>350</u></b>

## 8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,302,019,000 (2019: 1,305,239,021) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

## 9. TRADE AND BILLS RECEIVABLES

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Trade receivables	<b>97,412</b>	109,161
Impairment	<b>(29,496)</b>	(23,484)
	<b><u>67,916</u></b>	<u>85,677</u>
Trade receivables		
Non-current	<b>119</b>	1,670
Current	<b><u>67,797</u></b>	<u>84,007</u>
	<b><u>67,916</u></b>	<u>85,677</u>
Bills receivable		
Current	<b><u>4,638</u></b>	–
	<b><u>72,554</u></b>	<u>85,677</u>

The Group's sales are mainly made on (i) cash on delivery; (ii) credit terms of 30 to 90 days; and (iii) the terms of the respective construction contracts. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In the view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

At 31 December 2020, MetaSpace and Yuedun Zhizao, two subsidiaries of the Group, endorsed certain bills receivable accepted by banks in Mainland China (the “**Derecognised Bills**”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB1,467,000 (equivalent to HK\$1,649,000). The Derecognised Bills had a maturity of two to ten months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the “**Continuing Involvement**”). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2020, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the terms set out in the contracts and net of loss allowance, is as follows:

	<b>2020</b>	2019
	<b>HK\$’000</b>	HK\$’000
Within 1 year	<b>23,983</b>	60,207
1 to 2 years	<b>30,151</b>	20,722
2 to 3 years	<b>12,803</b>	3,447
Over 3 years	<b>979</b>	1,301
	<b>67,916</b>	85,677

## 10. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date or issue date, is as follows:

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 1 month	<b>30,680</b>	55,322
1 to 2 months	<b>13,732</b>	25,288
2 to 3 months	<b>13,992</b>	7,718
Over 3 months	<b>32,325</b>	19,168
	<b><u>90,729</u></b>	<u>107,496</u>

The trade and bills payables are non-interest-bearing. The trade payables are normally settled on terms of 30 to 60 days upon receipts of suppliers' invoices, while bills payable are normally settled on terms of 180 days upon issuance of bills.

## 11. SHARE CAPITAL

### Shares

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Authorised:		
4,000,000,000 (2019: 4,000,000,000) ordinary shares of HK\$0.005 each	<b><u>20,000</u></b>	<u>20,000</u>
Issued and fully paid:		
1,302,019,000 (2019: 1,302,019,000) ordinary shares of HK\$0.005 each	<b><u>6,510</u></b>	<u>6,510</u>

A summary of movements in the Company's share capital is as follows:

	<b>Number of shares in issue</b>	<b>Share capital HK\$'000</b>
At 1 January 2019	1,306,430,400	6,532
Share options exercised ( <i>note (a)</i> )	3,338,600	17
Shares repurchased and cancelled ( <i>note (b)</i> )	<u>(7,750,000)</u>	<u>(39)</u>
At 31 December 2019, 1 January 2020 and 31 December 2020	<u><u>1,302,019,000</u></u>	<u><u>6,510</u></u>

*Notes:*

- (a) In 2019, the subscription rights attaching to 3,338,600 share options were exercised at the subscription price of HK\$0.764 per share, resulting in the issue of 3,338,600 shares for a total cash consideration, before expenses, of approximately HK\$2,551,000. An amount of approximately HK\$1,658,000 was transferred from the share-based payment reserve to the share premium account upon the exercise of the share options.
- (b) In 2019, the Company purchased and cancelled 7,750,000 of its shares on the Stock Exchange for a total consideration of approximately HK\$3,318,000.

## **12. EVENT AFTER REPORTING PERIOD**

On 16 December 2020, the Company, Pieta Investment Limited and its guarantor (the "Vendor") entered into an equity transfer agreement, pursuant to which the Company conditionally agreed to purchase and the Vendor conditionally agreed to sell its entire 20% equity interest in Swift Knight Limited ("Swift Knight" or "target company"), a non-wholly owned subsidiary of the Company, for a consideration of HK\$28,000,000, which was to be satisfied wholly by the allotment and issue of 106,000,000 shares by the Company at a price of HK\$0.2642. The Company decided to acquire the remaining 20% shares of the target company because the board of directors are optimistic about the future of the business carried out by the subsidiaries of the target company, and the acquisition of the remaining 20% of the target company will achieve the Company's goal of optimising the overall equity structure. The transaction was completed on 11 February 2021 and accordingly, Swift Knight became the wholly owned subsidiary of the Company.

Except for the matter described above, there is no significant events subsequent to 31 December 2020 which may materially affect the Group's operating and financial performance as of the date of approval of these consolidated financial statements.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

### Sports and Entertainment Business

In 2020, the National Bureau of Statistics and the General Administration of Sports of China jointly issued the “2019 National Sports Industry Total Scale and Value Added Data Announcement”. In 2019, the total production scale of the sports industry in China was RMB2.95 trillion, recorded an increase of RMB1.12 trillion. There was an increase of 10.9% compared with 2018, and the added value increased by 11.6%. The data in the report shows that the construction of fitness facilities such as stadiums, fitness trails and sports parks in China has been increased continuously with a growth rate of 41.7%, this reflected a rapid development in constructing of sports facilities in China.

According to the State Council document “關於加快體育產業、促進體育消費的若干意見”, the total monetary value of the sport industry is expected to reach RMB5 trillion by 2025. The sport industry will become increasingly market-oriented, while the sports service sector is expected to embrace rapid growth. The central government has implemented policies to streamline the development of the winter sports industry to encourage universal involvement in and arouse people’s enthusiasm for sports activities. With the support of national policies and the constant increase in public awareness towards their own health, the robust development of sport market demand shall bring about new opportunities to the current and future sport industry.

The Group, through its non-wholly owned subsidiary, MetaSpace (Beijing) Air Dome Corp\* (“**MetaSpace**”), is the leading integrated service provider of construction, operation and management of air dome facilities in the PRC. These air-supported domes are widely adopted for use in multi-functional facilities such as sport and recreational facilities, logistic and warehousing centres, industrial storage facilities as well as commercial exhibition space. Unlike the conventional structure, the air dome structure is less costly to build and to operate, more energy efficient and has short construction period and is easy to relocate and expand over an open space. Up to the end of 2020, MetaSpace has already constructed over 255 air dome facilities throughout the PRC. Currently, our major customers including sports & event organizers, government departments, real estate developers and warehouse operators. The Group will continue to invest in research and development in deploying start-of-the art technology in building high performance air dome facilities. The Group will continue to strive for combining advances in aeromechanics, new materials, ergonomics, energy saving and environmental protection to provide space for multi-functional facilities in order to satisfy and meet customers’ need from different industry sectors. MetaSpace has obtained over 110 intellectual property rights (including invention patents, patented air tight and insulation system, software, copyrights & trademarks, etc.) covering all key technologies in the construction and installation of air dome structure.

\* For identification purpose only.

During the first quarter of 2020, the outbreak of COVID-19 epidemic was happened in the People's Republic of China (the "PRC"), the PRC government has implemented several anti-epidemic measures throughout multiple cities in the PRC. There was a delay in the resumption of works after the Chinese New year holiday and other work restrictions were imposed by the PRC government which led to delay our progress of air dome construction projects and our operation in sports and entertainment services operations. The above anti-epidemic measures and work restriction have significantly affected the Group's progress of current construction projects and to tendering process of new construction projects in the first half of 2020.

In the second half of 2020, the implemented anti-epidemic measures by the PRC government effectively controlled the epidemic's spread out in the PRC. Most of the economic activities were recovered to normal and the economic environment was getting much better than the first half of the year. The first-quarter's GDP in the PRC was decreased by 6.8% as compared to the corresponding period of 2019, then it quickly rebounded in the second quarter with a positive 3.2% and the third quarter and fourth quarter recorded a positive 4.9% and 5.2% respectively. By the end of 2020, the overall GDP growth rate in PRC achieved 2.3% which is the only nation with positive GDP growth in the global economy.

As the epidemics was effectively controlled with the gradual recovery of economic activities in the PRC, our sports and entertainment business has also recorded a rebound with a turnover was increased from HK\$16.8 million for the first half of 2020 to HK\$101.6 million for the second half of 2020. However, the overall turnover in 2020 of this business segment was still affected by the anti-epidemic measures implemented in first half of the year and the segment's revenue was dropped from approximately HK\$168.1 million from the corresponding period to approximately HK\$118.4 million for the year ended 31 December 2020, represented a decreased of approximately 29.6%. The decrease was mainly because of the suspension of the current construction projects during the work restrictions period in the first half of 2020.

For the year ended 31 December 2020, the Group's revenue was mainly attributable to the construction service of air dome facilities which amounted to approximately HK\$110.9 million of which approximately 76% was for use in sport facilities and approximately 19% for use in commercial facilities and the balance of approximately 5% for other functional purposes.

Other than construction services, the Group also focused on operation and management services and other sports related services which contributed revenue of approximately HK\$7.5 million to the Group.

Looking forward to 2021, the management expects that the condition of the COVID-19 epidemic will be under control by the end of 2021. The rollout of vaccines of COVID-19 and the introduction of economic stimulus policies in various countries bring hope to a global economic recovery. According to the expectation from various international institutions including the World Bank and the Organisation for Economic Co-operation and Development (OECD), International Monetary Fund that PRC's GDP growth in 2021 will exceed 6%. The management is confident that the sports and entertainment business segment will recover and perform much better than in 2020.

### **Logistics Business**

During the year, the impact on COVID-19 coupled with the tense relationship between Sino-US has further intensified the competitiveness of the worldwide air cargo business. Our Group continued to face directly and indirectly competition with other integrated logistics services providers on a local, regional and international basis in the form of pricing and customers' network. These challenges put our logistics business under pressure to drive growth.

Under the current worldwide economic situation, our Group will continue to explore potential logistics business opportunities in other markets in the near future.

During the year, the Group has successfully applied for the Money lending licence in Hong Kong through a wholly-owned subsidiary. The Management will try to explore the new opportunity in order to expand the Group's source of revenue.

The Board does not recommend the payment of any final dividend to the shareholders of the Company ("Shareholder(s)") for the year ended 31 December 2020 (2019: nil).

In the opinion of the Director, the Group will have sufficient financial resources to finance its operations in the coming twelve months from the date of the balance sheet.



## **SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION AND DISPOSAL**

### **Discloseable transaction in relation to the subscription of interests in a fund**

On 4 June 2020 and 2 July 2020, the Company, through MetaSpace, its non-wholly owned subsidiary, subscribed interests in a Fund in an amount of RMB5 million and RMB5 million, respectively.

Pursuant to the Subscription Agreements, MetaSpace agreed to subscribe interests in the Fund in an aggregate amount of RMB10 million, which was payable in cash by MetaSpace from its internal resources. The aggregated subscription amount of RMB10 million is determined based on the condition of the Group's idle cash.

The principal purpose of the Company of the Fund Subscriptions is to diversify the investment portfolio of the Company with an aim to enhancing its profitability. The Fund Subscriptions provide an opportunity to the Company to enhance return by utilising the idle cash of the Group. The redemption mechanism of the Fund also provides flexibility to the Company to recover its funds if there are any future investment opportunities that are appropriate to the Group.

As all of the applicable percentage ratios (as defined under the Listing Rules) in respect of the First Subscription are less than 5%, the First Subscription does not constitute a discloseable transaction under Chapter 14 of the Listing Rules at the time of entering into the subscription agreement. As certain applicable percentage ratios (as defined under the Listing Rules) in respect of the Second Subscription, after aggregation with the First Subscription, exceed 5% but are less than 25%, the Fund Subscriptions constitute a discloseable transaction for the Company and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

Reference should be made to the announcements of the Company dated 7 July 2020 and 13 August 2020 for the detail of the Fund Subscriptions.

**Discloseable and connected transaction in relation to the proposed acquisition of the remaining interest in Swift Knight Limited involving issue of consideration shares under specific mandate**

On 16 December 2020, the Company, Pieta Investment Limited and its guarantor (the “**Vendor**”) entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to acquire the remaining interest (represented 20% of the entire issued share capital) in Swift Knight Limited (the “**Target Company**”), a non-wholly owned subsidiary of the Company, at a total consideration of HK\$28,000,000. The Consideration shall be satisfied by the allotment and issue of 106,000,000 Consideration Shares by the Company to the Vendor at the issue price of HK\$0.2642 per Consideration Share, credited as fully paid, under the Specific Mandate to be sought at the extraordinary general meeting (“**EGM**”).

As the Vendor is a substantial shareholder of the Target Company which is a subsidiary of the Company, and therefore is a connected person of the Company at the subsidiary level. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Further, one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5% but are less than 25%. Therefore, the Acquisition constitutes (i) a discloseable transaction of the Company which is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a non-exempt connected transaction of the Company which is subject to the notification, announcement, circular and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The EGM of the Company was held on 4 February 2021 and was duly passed by the independent shareholders by way of poll at the EGM. The transaction was completed on 11 February 2021.

Reference to be made to the announcement of the Company dated 16 December 2020, 4 February 2021, and 11 February 2021 and the circular date 14 January 2021.

## OVERALL FINANCIAL RESULTS

The Company is an investment holding company and its subsidiaries are principally engaged in the investments in the sports and entertainment-related industry in the PRC with focus in air dome construction, operation and management.

During the year under review, the Group's turnover is approximately HK\$120.9 million comparing to approximately HK\$175.9 million during the corresponding year. Gross profit was approximately HK\$11.2 million comparing to the gross profit of approximately HK\$48.7 million during the corresponding year. The overall gross profit ratio decreased from approximately 27.7% to approximately 9.3%.

The decrease in turnover was mainly due to the anti-epidemic measures in the PRC which resulted in suspension of the current construction projects in the first half of this year and the overall economic environment affected by the COVID-19 epidemic.

The decrease in gross profit and gross profit margin was mainly due to: (i) the work restrictions imposed by the PRC government for controlling the COVID-19 epidemic had caused all direct and indirect costs of the air dome construction projects significantly increased; (ii) certain work procedures of some air dome construction projects required subcontracting to third parties, the gross profit margin of these projects was relatively low.

Loss for the year attributable to owners of the Company was approximately HK\$11.9 million as compared to approximately HK\$63.4 million in the year ended 31 December 2019. Basic and diluted loss per share attributable to owners of the Company was approximately HK\$0.9 cents (31 December 2019: approximately HK\$4.9 cents).

As at 31 December 2020, the balance of cash and cash equivalents was approximately HK\$116.5 million (31 December 2019: approximately HK\$128.7 million).

### Other Income and Gains

The Group recorded other income and gains, net of HK\$34.2 million during the year, compared to HK\$19.7 million in the corresponding year. The increase was mainly attributable to the foreign exchange gain of approximately HK\$20.3 million on the appreciation of Renminbi (“RMB”) during the year.

## **Administrative Expenses**

Administrative expenses for the year decreased to HK\$44.1 million, compared to HK\$59.2 million of the corresponding year. The cost control was continuing during the year and it lead to the continuous decrease in administrative expenses. The decrease was mainly due to the decrease in salaries and allowances of HK\$3.4 million, rental expenses of HK\$4.6 million and research and development cost of HK\$4.8 million.

## **Impairment losses on financial and contract assets**

The impairment losses on financial and contract assets mainly represented the expected credit loss of the trade receivables of HK\$4.2 million and contract assets of HK\$10.4 million and the expected credit loss on financial assets are fair value through other comprehensive income of HK\$4.8 million.

## **Other expenses and losses**

The other expenses and losses were approximately HK\$7.5 million, which represented a decrease of approximately HK\$21.2 million or 73.9% from approximately HK\$28.7 million in the corresponding year. The reduced was mainly due to the impairment of construction in progress of approximately HK\$15.9 million was recognised in the corresponding year but no related impairment during year.

## **Finance Costs**

Finance costs mainly represented the interests on the interest-bearing borrowings of approximately HK\$1.5 million and interests on lease liabilities of approximately HK\$1.6 million.

## **Property, plant and equipment**

Property, plant and equipment increased by HK\$12.9 million which was mainly due to the increase in buildings and office equipment of the our new factory related to the construction air dome services.

## **Goodwill**

Goodwill for HK\$37.7 million was mainly generated from the completion of the capital injection of Metaspace on 18 April 2017 and the acquisition of Bodewei\* on 28 February 2018, respectively.

## **Other intangible Assets**

Other intangible assets for HK\$0.7 million mainly represents patents, trademarks and software from Metaspace. The decrease from approximately HK\$11.6 million in the corresponding year to HK\$0.7 million in this year was due to the normal amortisation.

## **Contract Assets**

Contract assets are initially recognised for performance of transferring goods or services to the customers before the customers pay consideration or acceptance by the customers. Upon completion of goods transferred or services rendered and acceptance by the customers, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2020 was the result of less contract assets are reclassified to trade receivables during the year.

## **Financial Assets at Fair Value through Other Comprehensive Income**

Financial assets at fair value through other comprehensive income represents corporate bonds purchased by the Company through a financial institution in Hong Kong. These corporate bonds are measured at fair value and is determined by reference to the quoted bid prices at the reporting date in the over-the-counter markets. During the year ended 31 December 2020, the investment income recognised in the statement of profit or loss and the fair value loss recognised in the statement of other comprehensive income or loss amounted to HK\$5,284,000 (2019: HK\$8,069,000) and HK\$884,000 (2019: HK\$1,350,000), respectively.

The fair value of these corporate bonds is determined by reference to the quoted bid prices at the reporting date in the over-the counter markets. Going forward, the Group expects that these corporate bonds will suffer a minor loss at fair value in the short-run due to price volatility in global economic uncertain and the vulnerability of China's domestic debt market with tighter refinancing channels. However, the Group will maintain its strategy to hold these corporate bonds for long term purpose to earn an attractive yield and to minimize the risk of price fluctuations in the shortrun and to eliminate unnecessary administrative and trading costs.

Nevertheless, the Group does not preclude the possibility of disposing any of the existing corporate bonds before maturity if such disposal will be in the best interest of the Company and its shareholders as a whole in light of the circumstances, such as perceived deterioration of financial health of the issuing company, vulnerability of default risk, and consideration of favorable redemption clause at the option of the bondholder.

Name of bond issuer	Name of bond	Investment cost <i>USD'000</i>	Fair Value as of	Percentage to the Group's total assets <i>%</i>	Change in fair value recognised in the year ended
			31 December 2020 <i>USD'000</i>		31 December 2020 <i>USD'000</i>
China South City Holdings Ltd.	CHINA SOUTH CITY HOLDING 11.875% 27/3/2021	500	520	0.62	11
361 Degrees International Ltd.	361 DEGREES INTERNATIONAL 7.25% 3/6/2021	535	441	0.52	68
China Evergrande Group	CHINA EVERGRANDE GROUP 6.25% 28/6/2021	488	485	0.58	10
Qinghai Provincial Investment Group Co., Ltd.	QINGHAI INVEST GROUP 6.4% 10/7/2021	513	50	0.06	(152)
Fantasia Holdings Group Company Ltd.	FANTASIA HOLDINGS GROUP 7.375% 4/10/2021	500	511	0.61	13
Modern Land (China) Co., Ltd	MODERN LAND CHINA CO LTD 12.85% 25/10/2021	500	522	0.62	30
Central China Real Estate Ltd.	CENTRAL CHN REAL ESTATE 6.75% 8/11/2021	504	511	0.61	9
Guangzhou R&F Properties Co., Ltd.	EASY TACTIC LTD 5.75% 13/1/2022	498	485	0.57	(21)
China Evergrande Group	CHINA EVERGRANDE GROUP 8.25% 23/3/2022	512	480	0.57	4
Kaisa Group Holdings Ltd.	KAISA GROUP HOLDINGS LTD 11.25% 9/4/2022	367	371	0.44	5
Fantasia Holdings Group Ltd	FANTASIA HOLDINGS GROUP 11.75% 17/4/2022	334	367	0.43	9

Name of bond issuer	Name of bond	Investment cost <i>USD'000</i>	Fair Value as of	Percentage to the Group's total assets <i>%</i>	Change in fair value recognised in the year ended
			31 December 2020 <i>USD'000</i>		31 December 2020 <i>USD'000</i>
Nuoxi Capital Ltd.	NUOXI CAPITAL LTD 5.35% 24/1/2023	497	61	0.07	(133)
China Evergrande Group	CHINA EVERGRANDE GROUP 7.5% 28/6/2023	492	430	0.51	(3)
Tianjin State-Owned Capital Investment & Management Co Ltd	TIANJIN INVST MANAGEMENT 0.15% 17/12/2026	504	502	0.59	(3)
Agile Group Holdings Ltd.	AGILE GROUP HOLDINGS LTD FIX- TO VARIABLE (PERP) 8.375%	500	539	0.64	14
Total			<u>6,275</u>		<u>(139)</u>
Equivalent to HK'000			<u>48,646</u>		<u>(1,078)</u>

### Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss represents the subscription of wealth management products issued by licensed banks in the PRC and an equity investment trading on the National Equities Exchange and Quotation (the “NEEQ”) in the PRC. These wealth management products are measured at fair value and were subscribed by the Company through some non-wholly owned subsidiaries for short-term treasury management purpose and the equity investment was held for long-term capital appreciation. During the year ended 31 December 2020, the investment income in respect of these wealth management products in some non-wholly owned subsidiaries recognised in the statement of profit or loss and other comprehensive income amounted to HK\$4.6 million (2019: HK\$3.3 million).

Wealth management products	Revolving term	Yield	Fair value as at 31 December 2020 RMB'000	Percentage to the Group's total assets %	Investment cost RMB'000
Bank of Communication 63 day "Wen de li" wealth Management 交通銀行「穩得利」63天週期型理財產品	redeemable on due date 到期可贖回	3.10%	9,034	1.6	9,000
Wealth Bus Ambition No.2 財富班車進取2號(60天)	redeemable on due date 到期可贖回	3.20%	9,020	1.6	9,000
China Merchants Bank No. 890015 "Zeng li" Type B 招商銀行公司890015號「增利」B款	redeemable on due date 到期可贖回	3.40%	8,059	1.5	8,000
Li duo duo No.2 Cash Management 利多多現金管理2號	redeemable on demand 可隨時贖回	2.75%	608	0.1	600
Total			26,721		26,600
<i>Equivalent to HK\$'000</i>			31,759		31,614

The Directors confirmed that the considerations of the purchase of the above wealth management products were determined on the basis of commercial terms negotiated at arm's length between the Group's subsidiaries and the issuers after having considered the available surplus cash of the Group's subsidiaries for cash management purpose.

The purchase of the wealth management products was for cash management purpose in order to maximise its return on the surplus cash received from its business operations. The Group expects that these wealth management products with revolving term will earn a better yield than direct deposits generally offered by commercial banks in the PRC, and thus will increase the overall earnings of the Group. In view of achieving balanced yield whilst maintaining relatively high liquidity, the Directors are of the view that investment in these wealth management products are fair and reasonable and in the interests of the Company and the Shareholders as a whole. However, the Group may have intention to release of any of these wealth management products at appropriate time for general working capital purpose or any future business opportunities when opportunities arise.



Detail of the equity investment trading on the NEEQC is as follows:

Name of equity	Cost of	Number of	Fair value at	Percentage to	Change in
	shares at	shares held at			
	31 December	31 December	31 December	the Group's	recognised
	2020	2020	2020	total assets	for the
	HK\$'000	Share'000	HK\$'000	%	year ended
					31 December
					2020
					HK\$'000
Shanghai Benemae Pharmaceutical Corporation (Stock code: 830931) 上海仁會生物製藥股份有限公司 (股份編號：830931)	23,770	800	23,791	3.64	(2,921)

### Trade and Bills Payables

The decrease in trade and bills payables by HK\$16.8 million was mainly due to decrease in trade and bills payables was in line with the turnover reduced during the year.

### Liquidity, Financial Resources and Gearing Ratio

The Group's net cash outflows from operating activities for the year under review amounted to approximately HK\$55.4 million (2019: approximately inflows of HK\$21.7 million). As at 31 December 2020, cash and cash equivalents amounted to approximately HK\$116.5 million, representing an decrease of approximately HK\$12.1 million as compared with the position as at 31 December 2019.

As at 31 December 2020, the gearing ratio (which is calculated by dividing total borrowings by total assets) was 5.7% (31 December 2019: 7.9%). During year ended 31 December 2019 and 2020, the Group did not hedge its exposure to interest rate risk.

As at 31 December 2020, the Group had current assets of approximately HK\$389.3 million (31 December 2019: approximately HK\$406.0 million) and current liabilities of approximately HK\$197.3 million (31 December 2019: approximately HK\$232.7 million). The current ratio (which is calculated by dividing current assets by current liabilities) was approximately 1.97 (31 December 2019: approximately 1.74).

## **Capital Expenditure**

The Group's capital expenditure was approximately HK\$12.0 million (2019: approximately HK\$56.7 million), representing additions to property, plant and equipment and other intangible assets of the Group.

## **Capital Commitment**

As at 31 December 2020, the Group had capital commitments of approximately HK\$10.7 million (2019: approximately HK\$2.5 million).

## **Contingent Liabilities**

As at 31 December 2020, the Group did not have any significant contingent liability (2019: nil).

## **Charges on assets**

As at 31 December 2020, except for the charge over the buildings and right-of-use assets with the carrying value of HK\$66.4 million and HK\$23.9 million respectively for securing the Group's interest-bearing bank borrowings (31 December 2019: charge over the buildings, construction in progress and right-of-use assets with the carrying value of HK\$17.1 million, HK\$37.5 million and HK\$22.9 million), the Group did not have any charge on assets.

## **Litigations**

As at the date of this announcement, the Group had no material pending litigation.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2020, the Group had 175 full-time employees (2019: 144) in Hong Kong and the PRC. The Group reviews remuneration and benefits of its employees annually according to the relevant market practice and individual performance of the employees.

The emolument of each of the Directors and the employees of the Group is on the basis of their merit, qualification, competence and experience in the industry, the profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

## **COMMUNICATION WITH SHAREHOLDERS AND INVESTORS**

The general meetings of the Company provide a forum for communication between the Board and the Shareholders. They provide an opportunity for Shareholders to better understand the Group's operation, financial performance, business strategies and outlook. The chairman of the Board as well as chairmen of the nomination committee, remuneration committee and audit committee or, in their absence, other members of the respective committees are available to answer questions at Shareholders meetings. To promote effective communication, the Company maintains a website at [www.bsehk.com](http://www.bsehk.com), where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are posted. The Board, according to the Listing Rules, will conduct voting at the forthcoming AGM by poll. The results of the Company voting will be announced on the Company's website and the website of the Stock Exchange.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

Beijing Sports and Entertainment Industry Group Limited is incorporated in the Cayman Islands and has its Shares listing on the Stock Exchange on 16 January 2012 (the "**Listing Date**"). The corporate governance rules applicable to the Company is on Corporate Governance Code as set out in appendix 14 to the Listing Rules. In the opinion of the Board, the Company has complied with the code provisions as set out in the Corporate Governance Code from the Listing Date until 31 March 2012 and with the revised Corporate Governance Code from 1 April 2012 until 31 December 2020 respectively, except for the deviations from code provisions A.2.1 and D.1.4 of the Corporate Governance Code as described below.

### **Code Provision A.2.1**

According to the code provision A.2.1, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. During the year ended 31 December 2020, Mr. Liu Xue Heng is both the chairman of the Board and the chief executive officer of the Company. The Board considered that Mr. Liu Xue Heng has in-depth knowledge and experience in the sports and entertainment related business in the PRC; and he is the most appropriate person. Notwithstanding the above, the Board will review the current structure from time to time. When at the appropriate time and if candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may make necessary arrangements.

### **Code Provision D.1.4**

Under the code provision D.1.4, the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. The Company did not sign formal letters of appointment with Mr. Lok Lawrence Yuen Ming, Mr. Xin Luo Lin and Mr. Pan Lihui. However, the said Directors are subject to retirement by rotation at least once every three years in accordance with the Articles of Association. In addition, the said Directors are required to refer to the guidelines set out in “**A Guide on Directors’ Duties**” issued by the Companies Registry and “**Guidelines for Directors**” and “**Guide for Independent Non-executive Directors**” (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors of the Company.

The Company reviews its corporate governance practices from time to time to ensure compliance Corporate Governance Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as set out in appendix 10 to the Listing Rules regarding securities transactions by Directors and senior management. After specific enquiry, all Directors of the Company confirmed that they have complied with the required standard of dealings set out in the Model Code since the listing of the Shares on 16 January 2012.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company has not redeemed any of its Shares during the year. Neither the Company nor any of its subsidiaries has purchased, sold or redeem any listed securities of the Company during the year ended 31 December 2020.

## **FINAL DIVIDEND**

The Board do not recommend the payment of any final dividend to the Shareholders for the year ended 31 December 2020 (2019: Nil).

## **AUDIT COMMITTEE**

The Board has established an audit committee with written terms of reference in compliance with the Corporate Governance Code. As at the date of this announcement, the audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely Mr. Lok Lawrence Yuen Ming, Mr. Xin Luo Lin and Mr. Pan Lihui.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2020.

## **THE ANNUAL REPORT**

The annual report of the Company for the year ended 31 December 2020 will be despatched to the shareholders of the Company and published on the websites of Hong Kong Exchange and Clearing Limited and the Company in due course.

## **APPRECIATION**

The Board would like to express its sincere appreciation to the shareholders, customers, suppliers and staff for their continued support to the Group.

By order of the Board

**Beijing Sports and Entertainment Industry Group Limited**

**Liu Xue Heng**

*Chairman*

Hong Kong, 29 March 2021

*As at the date of this announcement, the executive Directors are Mr. Liu Xue Heng, Mr. Lam Ka Tak and Mr. Hou Gongda, the non-executive Director is Mr. Hu Yebi and the independent non-executive Directors are Mr. Tse, Man Kit, Keith, Mr. Lok Lawrence Yuen Ming, Mr. Xin Luo Lin and Mr. Pan Lihui.*