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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The Board of directors (the “**Board**” and the “**Directors**”) of Beijing Sports and Entertainment Industry Group Limited (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”), together with comparative figures for the corresponding period in last year. The 2021 interim condensed consolidated results of the Group are unaudited, but have been reviewed by the audit committee of the Company.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six-month period ended 30 June 2021

		Six-month period ended 30 June	
	<i>Notes</i>	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	4	88,854	19,216
Cost of sales		(72,645)	(21,588)
Gross profit/(loss)		16,209	(2,372)
Other income and gains	4	10,158	23,658
Selling and distribution expenses		(5,177)	(2,725)
Administrative expenses		(19,293)	(19,948)
Reversal of impairment losses/(impairment losses) on financial and contract assets, net		603	(4,226)
Other expenses and losses	5	(1,604)	(10,811)
Finance costs		(1,663)	(1,326)
Share of losses of an associate		(12)	(29)
LOSS BEFORE TAX	6	(779)	(17,779)
Income tax expense	7	(296)	(683)
LOSS FOR THE PERIOD		(1,075)	(18,462)
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified to profit or loss</i>			
Debt investments at fair value through other comprehensive income:			
Changes in fair value		(161)	(1,270)
Reclassification adjustments for items included in profit or loss:			
(Gain)/loss on disposals		(86)	3,043
Impairment losses/(reversal of impairment losses), net		396	(1,033)
Income tax effect		(24)	(122)
		125	618
Exchange differences:			
Exchange differences on translation of foreign operations		(652)	487

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six-month period ended 30 June 2021

	Six-month period ended 30 June	
<i>Notes</i>	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE (EXPENSE)/ INCOME FOR THE PERIOD	(527)	1,105
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	(1,602)	(17,357)
Loss attributable to:		
Owners of the Company	(1,166)	(9,818)
Non-controlling interests	91	(8,644)
	(1,075)	(18,462)
Total comprehensive expense attributable to:		
Owners of the Company	(2,689)	(7,224)
Non-controlling interests	1,087	(10,133)
	(1,602)	(17,357)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	<i>9</i>	
Basic and diluted (<i>HK cent</i>)	0.08	(0.75)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	<i>Notes</i>	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		94,054	75,427
Investment properties		21,103	21,435
Right-of-use assets		38,221	39,578
Goodwill		37,692	37,692
Other intangible assets		249	657
Investment in an associate		734	566
Prepayments, other receivables and other assets		14,217	11,731
Contract assets		4,633	6,020
Trade receivables	<i>10</i>	119	119
Debt investments at fair value through other comprehensive income		11,898	25,073
Financial assets at fair value through profit or loss		25,686	23,791
Deferred tax assets		22,712	22,378
Total non-current assets		271,318	264,467
CURRENT ASSETS			
Inventories		26,167	13,851
Contract assets		106,551	76,883
Trade and bills receivables	<i>10</i>	49,638	72,435
Prepayments, other receivables and other assets		34,603	28,064
Debt investments at fair value through other comprehensive income		23,336	23,573
Financial assets at fair value through profit or loss		8,217	31,759
Restricted bank deposits		19,310	26,210
Cash and bank balances		141,227	116,547
Total current assets		409,049	389,322
CURRENT LIABILITIES			
Trade and bills payables	<i>11</i>	80,552	90,729
Other payables and accruals		64,138	63,532
Interest-bearing bank and other borrowings		20,410	6,766
Contract liabilities		54,305	22,916
Lease liabilities		3,430	3,345
Tax payable		10,778	10,002

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2021

	<i>Notes</i>	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Total current liabilities		<u>233,613</u>	<u>197,290</u>
NET CURRENT ASSETS		<u>175,436</u>	<u>192,032</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>446,754</u>	<u>456,499</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		23,435	30,592
Lease liabilities		15,645	16,601
Deferred tax liabilities		<u>30</u>	<u>60</u>
Total non-current liabilities		<u>39,110</u>	<u>47,253</u>
Net assets		<u><u>407,644</u></u>	<u><u>409,246</u></u>
EQUITY			
Share capital	12	7,040	6,510
Reserves		<u>319,743</u>	<u>317,674</u>
		326,783	324,184
Non-controlling interests		<u>80,861</u>	<u>85,062</u>
Total equity		<u><u>407,644</u></u>	<u><u>409,246</u></u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six-month period ended 30 June 2021

1. CORPORATE 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 3/F., Queensgate House, 113 South Church Street, P.O. Box 10240, Grand Cayman, KY1-1002, the Cayman Islands. The principal place of business of the Company in Hong Kong is Room 101, 5/F., Greatmany Centre, 111 Queens Road East, Wanchai, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in sports and entertainment related industry in the Peoples Republic of China (the “**PRC**”) with focus in air dome construction, operation and management.

In the opinion of the directors of the Company, 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 Main Board of the Stock Exchange.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1. Basis of preparation

The interim condensed consolidated financial information for the six-month period ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirement of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

2.2. Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements.

Amendments to HKFRS 9, HKAS 39, Interest Rate Benchmark Reform Phase 2
HKFRS 7, HKFRS 4 and HKFRS 16

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. 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 related 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 results, which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's loss before tax except that interest income, fair value gain/(loss) on financial assets at fair value through profit or loss (“**FVTPL**”), investment income and return from financial assets at FVTPL, investment income and return from debt investments at fair value through other comprehensive income (“**FVTOCI**”), gain/(loss) on disposals of debt investments at FVTOCI, impairment/(reversal of impairment) of debt investments at FVTOCI, net, non-lease-related finance costs as well as head office and corporate expenses are excluded from such measurement.

For the six-month period ended 30 June 2021

	Sports and entertainment	Others	Total
	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue			
Sales to external customers	<u>88,854</u>	<u>–</u>	<u>88,854</u>
Segment results	1,747	(485)	1,262
<i>Reconciliation:</i>			
Interest income			1,581
Fair value loss on financial assets at FVTPL			(311)
Investment income and return from financial assets at FVTPL			454
Investment income and return from debt investments at FVTOCI			2,167
Gain on disposals of debt investments at FVTOCI			86
Impairment of debt investments at FVTOCI, net			(396)
Corporate and unallocated expenses			(4,611)
Finance costs (other than interest on lease liabilities)			<u>(1,011)</u>
Loss before tax			<u>(779)</u>
Other segment information:			
Reversal of impairment of trade receivables, net	(3,287)	–	(3,287)
Impairment of contract assets, net	2,288	–	2,288
Loss on disposals of property, plant and equipment	260	–	260
Depreciation and amortisation	5,665	–	5,665
Capital expenditure*	<u>20,907</u>	<u>–</u>	<u>20,907</u>

For the six-month period ended 30 June 2020

	Sports and entertainment <i>HK\$'000</i> (Unaudited)	Others <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue			
Sales to external customers	16,757	2,459	19,216
Segment results			
	(26,020)	(614)	(26,634)
<i>Reconciliation:</i>			
Interest income			570
Fair value gain on financial assets at FVTPL			15,665
Investment income and return from financial assets at FVTPL			2,705
Investment income and return from debt investments at FVTOCI			3,425
Loss on disposals of debt investments at FVTOCI			(3,043)
Reversal of impairment of debt investments at FVTOCI, net			1,033
Corporate and unallocated expenses			(11,048)
Finance costs (other than interest on lease liabilities)			(452)
Loss before tax			(17,779)
Other segment information:			
Impairment of trade receivables, net	180	57	237
Impairment of contract assets, net	5,022	–	5,022
Reversal of impairment of investment properties, net	(155)	–	(155)
Impairment of property, plant and equipment, net	137	–	137
Gain on disposals of property, plant and equipment	(21)	–	(21)
Depreciation and amortisation	9,528	–	9,528
Impairment of inventories, net	290	–	290
Capital expenditure*	4,804	–	4,804

* Capital expenditure consists of additions to property, plant and equipment.

All of the Group's revenue are from external customers located in Mainland China.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six-month period ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	88,854	19,216

Disaggregated revenue information for revenue from contracts with customers

For the six-month period ended 30 June 2021

Segments	Sports and entertainment	
	<i>HK\$'000</i>	
	(Unaudited)	
Types of goods or services		
Provision of air dome construction services		73,491
Rendering of operation and management services and other sports and entertainment services		<u>15,363</u>
Total revenue from contracts with customers		<u>88,854</u>
Timing of revenue recognition		
Goods/services transferred at a point in time		60,398
Services transferred over time		<u>28,456</u>
Total revenue from contracts with customers		<u>88,854</u>

For the six-month period ended 30 June 2020

Segments	Sports and entertainment <i>HK\$'000</i> (Unaudited)	Others <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Types of goods or services			
Provision of air dome construction services	13,134	–	13,134
Rendering of operation and management services and other sports and entertainment services	3,623	–	3,623
Sales of goods	<u>–</u>	<u>2,459</u>	<u>2,459</u>
 Total revenue from contracts with customers	 <u><u>16,757</u></u>	 <u><u>2,459</u></u>	 <u><u>19,216</u></u>
Timing of revenue recognition			
Goods/services transferred at a point in time	7,763	2,459	10,222
Services transferred over time	<u>8,994</u>	<u>–</u>	<u>8,994</u>
 Total revenue from contracts with customers	 <u><u>16,757</u></u>	 <u><u>2,459</u></u>	 <u><u>19,216</u></u>

Other income and gains

	Six-month period ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	353	100
Other interest income	1,228	470
Investment income and return from financial assets at FVTPL	454	2,705
Investment income and return from debt investments at FVTOCI	2,167	3,425
Gross rental income from investment properties under operating leases	1,094	1,028
Reversal of impairment of investment properties, net	–	155
Government grants	340	–
	<u>5,636</u>	<u>7,883</u>
Gains		
Fair value gain on financial assets at FVTPL	–	15,665
Gain on disposals of debt investments at FVTOCI	86	–
Gain on disposals of items of property, plant and equipment	–	21
Foreign exchange differences, net	4,307	–
Others	129	89
	<u>4,522</u>	<u>15,775</u>
	<u><u>10,158</u></u>	<u><u>23,658</u></u>

5. OTHER EXPENSES AND LOSSES

	Six-month period ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Other expenses		
Impairment of property, plant and equipment, net	–	137
Impairment of inventories, net	–	290
Gross rental expense from investment properties under operating leases	<u>938</u>	<u>751</u>
	<u>938</u>	<u>1,178</u>
Losses		
Fair value loss on financial assets at FVTPL	311	–
Loss on disposals of property, plant and equipment	260	–
Loss on disposals of debt investments at FVTOCI	–	3,043
Foreign exchange differences, net	–	6,174
Others	<u>95</u>	<u>416</u>
	<u>666</u>	<u>9,633</u>
	<u>1,604</u>	<u>10,811</u>

6. LOSS BEFORE TAX

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

	Six-month period ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cost of construction contracts	69,653	8,956
Cost of services provided	790	473
Cost of inventories sold	–	2,454
Depreciation of property, plant and equipment	2,858	1,174
Depreciation of investment properties	599	546
Depreciation of right-of-use assets	1,797	2,279
Amortisation of other intangible assets	411	5,529
Research and development costs	1,807	3,594
Lease payments not included in the measurement of lease liabilities	–	237
Employee benefit expenses (excluding directors and chief executives remuneration):		
Wages and salaries	11,699	10,807
Pension scheme contributions	1,235	2,070
Foreign exchange differences, net	(4,307)	6,174
Impairment of property, plant and equipment, net	–	137
Reversal of impairment of investment properties, net	–	(155)
Impairment of inventories, net	–	290
(Reversal of impairment)/impairment of trade receivables, net	(3,287)	237
Impairment of contract assets, net	2,288	5,022
Impairment/(reversal of impairment) of debt investments at FVTOCI, net	396	(1,033)
Loss/(gain) on disposals of property, plant and equipment	260	(21)
(Gain)/loss on disposals of debt investments at FVTOCI	(86)	3,043
	<u>(86)</u>	<u>3,043</u>

7. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for the Company which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2019/2020. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of the Company (2020: the Company) is taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%).

The Group's operations in Mainland China are subject to PRC Corporate Income Tax. The standard PRC Corporate Income Tax rate is 25% (2020: 25%), except for one PRC entity of the Group which is entitled to a preferential tax rate at 15% (2020: 15%).

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

	Six-month period ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current – Hong Kong		
Charge for the period	147	161
Current – Mainland China		
Charge for the period	77	48
Overprovision in prior periods	–	(136)
Deferred	<u>72</u>	<u>610</u>
Total tax charge for the period	<u><u>296</u></u>	<u><u>683</u></u>

8. DIVIDENDS

The directors of the Company did not recommend any payment of interim dividends to shareholders of the Company for the six-month period ended 30 June 2021 (six-month period ended 30 June 2020: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share is based on the loss for the period attributable to owners of the Company of HK\$1,166,000 (2020: HK\$9,818,000), and the weighted average number of ordinary shares of 1,383,557,000 (six months ended 30 June 2020: 1,302,019,000) in issue during the six-month period ended 30 June 2021.

No adjustment has been made to the basic loss per share presented for the six-month period ended 30 June 2021 and 2020 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share presented.

10. TRADE AND BILLS RECEIVABLES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade receivables	72,354	97,412
Less: Impairment	<u>(26,460)</u>	<u>(29,496)</u>
	<u>45,894</u>	<u>67,916</u>
Trade receivables		
Non-current	119	119
Current	<u>45,775</u>	<u>67,797</u>
	<u>45,894</u>	<u>67,916</u>
Bills receivables		
Current	<u>3,863</u>	<u>4,638</u>
	<u>49,757</u>	<u>72,554</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 receivables. Trade and bills receivables are non-interest-bearing.

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 allowances, is as follows:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 1 year	19,635	23,983
1 to 2 years	21,793	30,151
2 to 3 years	4,466	12,803
3 years and above	<u>—</u>	<u>979</u>
	<u>45,894</u>	<u>67,916</u>

At 30 June 2021, the Group's bills receivables would mature within twelve months (31 December 2020: within twelve months).

11. 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:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Within 1 month	20,495	30,680
1-2 months	6,310	13,732
2-3 months	8,153	13,992
Over 3 months	45,594	32,325
	80,552	90,729

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

12. SHARE CAPITAL

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Authorised:		
4,000,000,000 (2020: 4,000,000,000) ordinary shares of HK\$0.005 each	20,000	20,000
Issued and fully paid:		
1,408,019,000 (2020: 1,302,019,000) ordinary shares of HK\$0.005 each	7,040	6,510

MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the board of directors (the “**Board**” and the “**Directors**”) of Beijing Sports and Entertainment Industry Group Limited (the “**Company**”), I am pleased to present the 2021 interim report and the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred as the “**Group**”) for the six-month period ended 30 June 2021 (the “**Period**”).

BUSINESS REVIEW AND OUTLOOK

Sports and Entertainment Business

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 adapted for use in multi-functional facilities such as sport and recreational facilities, logistic and warehousing centres, industrial storage facilities as well as commercial exhibition spaces. Unlike the conventional structure, the air dome structure is less costly to build and operate, more energy-efficient and has a short construction period and is easy to relocate and expand over an open space. As at 30 June 2021, MetaSpace has already constructed over 240 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 to satisfy and meet customers’ needs from different industry sectors. MetaSpace has obtained over 130 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 the air dome structure.

In the first half of 2021, the COVID-19 epidemic in the People's Republic of China (the "PRC") has been effectively under control by implementing strict anti-epidemic by the PRC government. The Group's business has gradually recovered to the level before the epidemic, however, the haze caused by the epidemic has not yet completely dissipated. Because of this, the Group should continue to implement measures on risk control with an objective to maintain a stability in business operation. As at 30 June 2021, the Group has a sufficient reserve of orders and has achieved a steady growth in operating performance during the Period.

During the Period, the Group's revenue increased significantly from approximately HK\$19.2 million to approximately HK\$88.9 million for the six months ended 30 June 2021, representing an increase of approximately 363.0%. The significant increase was mainly due to (i) the relatively low revenue base contributed to the Group resulting from slow down and/or suspension of a number of construction projects in the first half of 2020; (ii) the gradual recovery in air dome construction business and the gradual pick up of the overall PRC economic environment since the second half of 2020 attributable to the under control epidemic situation.

For the six months ended 30 June 2021, the Group's revenue was mainly attributable to the construction service of air dome facilities which amounted to approximately HK\$73.5 million of which 75% was for use in sports facilities, 19% for use in warehouse facilities and the balance of 6% for use in other functional purpose.

Other than construction services, the Group also focused on the operation and management services and other sports and entertainment services which contributed a revenue of approximately HK\$15.4 million to the Group.

Looking to second half of 2021, the Global Economic Prospects has just published by the World Bank in June 2021, the global economy is predicted to grow by approximately 5.6% in 2021 while the estimate for China's economic growth is raised to 8.5%. As the only major economy in the world to have achieved growth in GDP in 2020, China maintained steady economic growth in the first half of 2021, with a GDP of RMB53.2167 trillion, representing a year-on-year increase of 12.7%, which indicated the steadily growing momentum of the country's economy.

In March 2021, the PRC Government issued the Outline of the 14th Five-year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和二零三五年遠景目標綱要》) (“**the Outline**”). In the Outline, it proposes to develop, build, renovate and expand about 1,000 sports and supporting facilities for outdoor sports, fitness and leisure.

Our air dome is a good solution to achieve the target in the Outline as our air dome can be used as various sports facilities such as ball games, winter sports, swimming and fitness centre, etc. It provides a low-carbon and environmentally friendly stadium which the energy consumption is only one-third of the traditional, which can effectively reduce the construction and operating costs.

Moreover, the requirements for the construction of the air dome are relatively low compare with traditional stadiums and are easy to relocate or demolish. Because of these advantages, our air dome can be built on urban idle land, green space or other non-sports area, which can utilize the idle land resources and explore the value of empty land. These can increase the per capita sports area index, change the situation of insufficient basic stadium facilities, and help the construction of a sports power and a healthy China.

The management is the confident that our sports and entertainment business will have a bright future in the coming period.

Money Lending Business

In last year, the Group has successfully applied for the Money lending licence in Hong Kong through a wholly-owned subsidiary.

During the Period, the Group's money lending business generated an interest income on loans amounting to approximately HK\$1.0 million (corresponding period of 2020: Nil). As at 30 June 2021, there were two outstanding balances of loans receivable with approximately HK\$26 million (31 December 2020: HK\$16 million). During the Period, the Group granted one new loan with the principal amount of approximately HK\$16 million to one customer and received a repaid of loan receivables for approximately HK\$6 million.

The Management shall continue to explore potential projects to expand the Group's source of revenue.

Logistics Business

During the Period, the impact on COVID-19 coupled with the tense relationship between Sino-US continued to impose challenges to our logistics business. Nevertheless, our Group will explore potential logistics business when opportunities arise.

EVENT AFTER THE REPORTING PERIOD

On 11 August 2021, the Yuedun Ruidi Sports Culture Investment (Beijing) Co., Ltd (the “**Vendor**”), an indirect non-wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement (the “**Agreement**”) with the Cao You (the “**Purchaser**”), pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the 56% equity interest of Bodewei (Beijing) Sports Development Limited (the “**Target Company**”) at a consideration of RMB6 million.

The Target Company is a company established in the PRC with limited liability and is an indirect non-wholly owned subsidiary of the Company. It is principally engaged in sports stadium operation.

As the Purchaser is the holder of 44% equity interest of the Target Company and is therefore a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Sale and Purchase Agreement constitutes connected transaction of the Company. As one or more of the relevant percentage ratios (as defined under 14.07 of the Listing Rules) in respect of the Disposal exceed 0.1% but less than 5%, the transactions contemplated under the Sale and Purchase Agreement will be subject to the reporting and announcement but are exempt from independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

Reference should be made to the announcements of the Company dated 11 August 2021 for the details of the Disposal.

Overall Financial Results

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

During the Period, the Group's revenue was approximately HK\$88.9 million, representing an increase of 363.0% from that of approximately HK\$19.2 million during the corresponding period of last year. Gross profit was approximately HK\$16.2 million comparing to the gross loss of approximately HK\$2.4 million during the corresponding period of last year. The overall gross profit ratio increased to 18.2% from gross loss of 12.5% of the corresponding period.

The increase revenue was mainly due to (i) the relatively low revenue base contributed to the Group resulting from slow down and/or suspension of a number of construction projects in the first half of 2020; (ii) the gradual recovery in air dome construction business and the gradual pick up of the overall PRC economic environment since the second half of 2020 attributable to the under control epidemic situation.

Loss for the Period attributable to owners of the Company was approximately HK\$1.2 million as compared to approximately HK\$9.8 million in the six-month period ended 30 June 2020. Basic loss per share of the Company was approximately HK\$0.08 cents.

As at 30 June 2021, the balance of cash and bank balances was approximately HK\$141.2 million (31 December 2020: approximately HK\$116.5 million).

Liquidity, Financial Resources and Capital Structure

The Group's net cash inflow from operating activities for the Period amounted to approximately HK\$12.9 million (2020 corresponding period: outflow of approximately HK\$43.7 million). As at 30 June 2021, cash and bank balances amounted to approximately HK\$141.2 million, representing an increase of approximately HK\$24.7 million as compared with the position as at 31 December 2020.

As at 30 June 2021, the Group had interest-bearing borrowings of approximately HK\$43.8 million (as at 31 December 2020: HK\$37.4 million). The gearing ratio (which is calculated by dividing total borrowings by total assets) was 6.44% (31 December 2020: 5.70%). During the six-month period ended 30 June 2021 and 2020, the Group did not hedge its exposure to interest rate risk.

As at 30 June 2021, the Group had current assets of approximately HK\$409.0 million (31 December 2020: approximately HK\$389.3 million) and current liabilities of approximately HK\$233.6 million (31 December 2020: approximately HK\$197.3 million). The current ratio (which is calculated by dividing current assets by current liabilities) was 1.75 (31 December 2020: 1.97).

Other Income and Gains

The Group recorded other income and gains of approximately HK\$10.2 million during the Period and it mainly composed of investment income and return from debt investments at FVTOCI of approximately HK\$2.2 million, the rental income from investment properties of approximately HK\$1.1 million and the foreign exchange gain of approximately HK\$4.3 million.

Administrative Expenses

During the Period, the administrative expenses were approximately HK\$19.3 million, which represented a decrease of approximately HK\$0.6 million, or 3.0%, from approximately HK\$19.9 million in the six months ended 30 June 2020. There were no significant changes for the administrative expenses during the period. The administrative expenses mainly composed of staff cost of approximately HK\$9.6 million, legal and professional fee of approximately HK\$2.8 million and research and development cost of approximately HK\$1.8 million.

Other Expenses and losses

During the Period, the other expenses and losses were approximately HK\$1.6 million, which represented a decrease of approximately HK\$9.2 million or 85.2%, from approximately HK\$10.8 million in the corresponding period. The decrease was mainly due to the foreign exchange loss of approximately HK\$6.2 million, was recognised in the corresponding period but it is an foreign exchange gain during the Period.

Debt investments at Fair Value through Other Comprehensive Income

Debt investments at fair value through other comprehensive income represents corporate bonds purchased by the Group through one financial institution in Hong Kong. These corporate bonds are measured at fair value as determined by reference to the quoted bid prices at the reporting date in the over-the-counter markets. During the six months ended 30 June 2021, the interest income recognised in the statement of profit or loss and the fair value gain net of tax effect, recognised in the statement of other comprehensive income amounted to HK\$2.2 million (corresponding period of 2020: HK\$3.4 million) and HK\$0.1 million (corresponding period of 2020: HK\$0.6 million), respectively.

Going forward, the Group expects that these corporate bonds may suffer a minor loss at fair value in the short-run due to price volatility in global economic uncertain under the COVID-19 epidemic and the tension Sino–US relation. 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 short run 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 at 30 June 2021 <i>USD'000</i>	Percentage to the Group's total assets as at 30 June 2021 %	Change in fair value recognised for the six months ended 30 June 2021 <i>USD'000</i>
Fantasia Holdings Group Company Ltd.	FANTASIA HOLDINGS GROUP 7.375% 4/10/2021	243	234	0.27	(12)
Central China Real Estate Ltd.	CENTRAL CHN REAL ESTATE 6.75% 8/11/2021	504	493	0.56	(18)
China Evergrande Group	CHINA EVERGRANDE GROUP 8.25% 23/3/2022	512	421	0.48	(58)
China Evergrande Group	CHINA EVERGRANDE GROUP 7.5% 28/6/2023	492	371	0.42	(58)
Modern Land (China) Co., Ltd.	MODERN LAND CHINA CO LTD 12.85% 25/10/2021	500	517	0.59	(4)
Qinghai Provincial Investment Group Co., Ltd.	QINGHAI INVEST GROUP 6.4% 10/7/2021	513	156	0.18	64
Guangzhou R&F Properties Co., Ltd.	EASY TACTIC LTD 5.75% 13/1/22	498	502	0.57	18
Nuoxi Capital Ltd.	NUOXI CAPITAL LTD 5.35% 24/1/2023	497	135	0.15	49
Fantasia Holdings Group Ltd	FANTASIA HOLDINGS GROUP 11.75% 17/4/2022	334	334	0.38	(34)
Tianjin State-Owned Captial Investment & Management Co Ltd	TIANJIN INVST MANAGEMENT 0.15% 17/12/2026	504	501	0.57	-

Name of bond issuer	Name of bond	Investment cost <i>USD'000</i>	Fair Value as at 30 June 2021 <i>USD'000</i>	Percentage to the Group's total assets as at 30 June 2021 %	Change in fair value recognised for the six months ended 30 June 2021 <i>USD'000</i>
Kaisa Group Holdings Ltd.	KAISA GROUP HOLDINGS LTD 11.25% 9/4/2022	367	349	0.40	(20)
Agile Group Holdings Ltd.	AGILE GROUP HOLDINGS LTD FIX-TO VARIABLE (PERP) 8.375%	500	525	0.60	(14)
Total		<u>5,464</u>	<u>4,538</u>	5.18	<u>(87)</u>
Equivalent to HK'000		<u>42,420</u>	<u>35,234</u>		<u>(675)</u>

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss represent the subscribed wealth management products issued by licensed banks in the PRC and the equity investment. The 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. For the six months ended 30 June 2021, the investment return in respect of these wealth management products from some non-wholly owned subsidiaries recognised in the statement of profit or loss amounted to approximately HK\$0.5 million (corresponding period of 2020: HK\$2.7 million).

Wealth management products	Revolving term	Expected Yield	Fair value	Percentage	Investment cost
			as at 30 June 2021	to the Group's total assets as at 30 June 2021	
			RMB'000	%	RMB'000
Shanghai Pudong Development Bank – Weekly Profit No. 1 (Corporate Only)	Redeemable on demand	3.06	6,804	1	6,800
Equivalent to HK\$'000			<u>8,177</u>		<u>8,172</u>

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 maximize 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 as follows:

Name of equity	Cost of	Number of	Fair Value at	Percentage to	Change in
	shares at	shares held at		the Group's	fair value
	30 June 2021	30 June 2021	30 June 2021	total assets	recognised
	<i>HK\$'000</i>	<i>Share'000</i>	<i>HK\$'000</i>	<i>%</i>	for the
					six months
					ended
					30 June 2021
					<i>HK\$'000</i>
Shanghai Benemae Pharmaceutical Corporation	24,036	800	24,058	3.54	–
Jiangsu Zongyi Co., Ltd.	2,404	217	1,628	0.24	776

Capital Expenditure

The Group's capital expenditure was approximately HK\$20.9 million during the Period (2020 corresponding period: approximately HK\$4.8 million), representing the additions to property, plant and equipment during the Period.

Capital Commitment

As at 30 June 2021, the Group's capital commitments amounted to approximately HK\$7.6 million (31 December 2020: approximately HK\$10.7 million).

Contingent Liabilities

As at 30 June 2021, the Group did not have any significant contingent liability (31 December 2020: nil).

Charges on assets

As at 30 June 2021, except for the charge over the buildings, construction in progress, right-of-use assets and trade receivables with the carrying value of HK\$57.6 million, HK\$0.04 million, HK\$14.5 million and HK\$19.3 million respectively for securing the Group's interest-bearing bank borrowings (31 December 2020: HK\$28.9 million, HK\$32.4 million, HK\$22.2 million and HK\$4.5 million), the Group did not have any charges on assets.

Foreign Currency Risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi and United States dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. During the Period, the Group had not hedged its foreign exchange risk because the exposure, after netting off the gain and loss derived from foreign exchange difference, was not very significant. Our management will continue to monitor our foreign exchange exposure and will consider hedging the foreign currency exposure when it is necessary.

LITIGATION

As at 30 June 2021, the Group had no material pending litigation.

HUMAN RESOURCES

As at 30 June 2021, the Group had 182 full-time employees (31 December 2020: 175). The Group reviews remuneration and benefits of its employees annually according to the relevant market practice and individual performance of the employees.

Save for the social insurance in China and the mandatory provident fund scheme in Hong Kong, the Group has not set aside or accrued any significant funds to provide for retirement or similar benefits for its employees. The staff costs incurred for the Period were approximately HK\$12.9 million (2020 corresponding period: approximately HK\$12.9 million).

CODE ON CORPORATE GOVERNANCE PRACTICES

Good corporate governance is conducive to enhancing the Group's overall performance and accountability is essential in modern corporate administration. The Board, which includes four independent non-executive Directors out of a total of eight Directors, is responsible for setting strategic, management and financial objectives and continuously observes the principles of good corporate governance and devotes considerable effort to identifying and formalising best practice to ensure the interests of Shareholders, including those of minority Shareholders, are protected.

Beijing Sports and Entertainment Industry Group Limited is incorporated in the Cayman Islands and has its shares listing on the Hong Kong Stock Exchange since 16 January 2012 (the "**Listing Date**"). The corporate governance rules applicable to the Company is the code on corporate governance practices as set out in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**"). 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 30 June 2021 respectively, except for the deviation from code provisions A.2.1, A.6.7 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 Period, 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 A.6.7

Under Code Provision A.6.7, independent non-executive Directors and other non-executive Directors should attend general meetings to develop a balanced understanding of the views of Shareholders. During the Period, not all independent non-executive Directors attended the general meetings of the Company due to other business engagements, which have deviated from Code Provision A.6.7.

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 have formal letters of appointment with Mr. Lok Yuen Ming, Mr. Xin Luo Lin and Mr. Pan Lihui. However, the Directors are subject to retirement by rotation at least once every three years in accordance with the articles of association of the Company. In addition, the 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.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the provision of the Model Code for Securities Transactions by Directors of listed Issuers (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.

AUDIT COMMITTEE

The Company has established the Audit Committee on 3 December 2011 in accordance with the requirements of the Corporate Governance Code for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal control. The Audit Committee comprises three independent non-executive Directors. The interim results for the Period are unaudited but have been reviewed by the Audit Committee. During the Period, one regular meeting of the Audit Committee had been held.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed Shares during the Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained a sufficient public float as required under the Listing Rules.

DIVIDEND

The Board does not recommend the payment of any interim dividend to shareholders for the Period. The declaration, payment, and amount of future dividends will be decided by the Board and will depend upon, among other things, the Group's result of operations, capital requirements, cash flows, general financial conditions, and such other factors as the Board may consider important.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the websites of the Company (www.bsehk.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The 2021 interim report of the Company will be dispatched to the shareholders of the Company and available on the above websites in due course.

APPRECIATION

The Board would like to express our appreciation to our Shareholders, customers, banks and business partners for their continuous trust and support, and also to all of our staff for their dedicated efforts in facilitating the Group's business restructuring and perseverance in face of challenges.

By Order of the Board
Beijing Sports and Entertainment Industry Group Limited
Liu Xue Heng
Chairman

Hong Kong, 27 August 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