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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 UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021**

The board of directors (the “**Board**” or “**Directors**”) of Beijing Sports and Entertainment Industry Group Limited (the “**Company**”) announces the unaudited 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 2021, together with the comparative figures for the year 2020, as follows:

For the reasons explained in the paragraph headed “Review of Unaudited Annual Results” in this announcement, the auditing process of the annual results of the Group for the year ended 31 December 2021 has not been completed and the Company is unable to publish an annual results announcement that has been agreed with the Company’s auditors by 31 March 2022 in accordance with Rule 13.49 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
YEAR ENDED 31 DECEMBER 2021**

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b> (unaudited)	2020 <i>HK\$'000</i> (audited)
REVENUE	4, 5	<b>218,721</b>	120,877
Cost of sales and costs of construction services		<u><b>(162,020)</b></u>	<u>(109,689)</u>
Gross profit		<b>56,701</b>	11,188
Other income and gains and losses	5	<b>3,059</b>	31,179
Selling and distribution expenses		<b>(10,393)</b>	(11,974)
Administrative expenses		<b>(44,222)</b>	(44,122)
Impairment losses on financial and contract assets	6	<b>(38,805)</b>	(19,414)
Other expenses and losses		<b>(2,405)</b>	(4,450)
Finance costs		<b>(3,106)</b>	(3,115)
Share of loss of an associate		<u><b>(26)</b></u>	<u>(58)</u>
LOSS BEFORE TAX	6	<b>(39,197)</b>	(40,766)
Income tax (expense)/credit	7	<u><b>(2,369)</b></u>	<u>6,232</u>
LOSS FOR THE YEAR		<u><b>(41,566)</b></u>	<u>(34,534)</u>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>			
Other comprehensive (loss)/income 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>(16,666)</b>	(929)
Reclassification adjustments for losses included in profit or loss:			
Loss on disposal		<b>200</b>	2,962
Impairment losses		<b>16,421</b>	4,844
Income tax effect		<u><b>(26)</b></u>	<u>(1,142)</u>
		<b>(71)</b>	5,735

	<b>2021</b>	2020
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	(unaudited)	(audited)
Reclassification of foreign currency translation reserve upon disposal of foreign operations	<b>152</b>	–
Exchange differences on translation of foreign operations	<u><b>(2,155)</b></u>	<u>(3,626)</u>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	<u><b>(2,074)</b></u>	<u>2,109</u>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX</b>	<u><b>(2,074)</b></u>	<u>2,109</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<u><b>(43,640)</b></u>	<u><b>(32,425)</b></u>
Loss attributable to:		
Owners of the Company	<b>(38,804)</b>	(11,862)
Non-controlling interests	<u><b>(2,762)</b></u>	<u>(22,672)</u>
	<u><b>(41,566)</b></u>	<u><b>(34,534)</b></u>
Total comprehensive loss attributable to:		
Owners of the Company	<b>(43,469)</b>	(14,507)
Non-controlling interests	<u><b>(171)</b></u>	<u>(17,918)</u>
	<u><b>(43,640)</b></u>	<u><b>(32,425)</b></u>
<b>LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<b>8</b>	
Basic and diluted	<u><b>HK(2.8) cents</b></u>	<u>HK(0.9) cents</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**31 DECEMBER 2021**

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b> (unaudited)	2020 <i>HK\$'000</i> (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>88,912</b>	75,427
Investment properties		<b>20,906</b>	21,435
Right-of-use assets		<b>27,876</b>	39,578
Goodwill		<b>29,138</b>	37,692
Other intangible assets		<b>221</b>	657
Investment in an associate		<b>734</b>	566
Prepayments, other receivables and other assets		<b>4,670</b>	11,731
Contract assets		<b>5,217</b>	6,020
Trade receivables	<i>9</i>	–	119
Debt investments at fair value through other comprehensive income		<b>6,767</b>	25,073
Financial assets at fair value through profit or loss		<b>2,446</b>	23,791
Deferred tax assets		<b>20,941</b>	22,443
		<hr/>	<hr/>
Total non-current assets		<b>207,828</b>	264,532
<b>CURRENT ASSETS</b>			
Inventories		<b>8,714</b>	13,851
Contract assets		<b>68,542</b>	76,883
Trade and bills receivables	<i>9</i>	<b>43,541</b>	72,435
Prepayments, other receivables and other assets		<b>57,987</b>	28,064
Debt investments at fair value through other comprehensive income		<b>6,734</b>	23,573
Financial assets at fair value through profit or loss		<b>68,168</b>	31,759
Restricted bank deposits		<b>16,405</b>	26,210
Cash and bank balances		<b>79,691</b>	116,547
		<hr/>	<hr/>
Total current assets		<b>349,782</b>	389,322

	<i>Notes</i>	<b>2021</b> <b><i>HK\$'000</i></b> (unaudited)	2020 <i>HK\$'000</i> (audited)
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>10</i>	<b>78,040</b>	90,729
Other payables and accruals		<b>57,921</b>	86,448
Interest-bearing bank and other borrowings		<b>25,750</b>	6,766
Lease liabilities		<b>1,050</b>	3,345
Tax payable		<b>10,659</b>	10,002
		<hr/>	<hr/>
Total current liabilities		<b>173,420</b>	197,290
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>176,362</b>	192,032
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>384,190</b>	456,564
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		<b>13,589</b>	30,592
Lease liabilities		<b>7,777</b>	16,601
Deferred tax liabilities		<b>91</b>	125
		<hr/>	<hr/>
Total non-current liabilities		<b>21,457</b>	47,318
		<hr/>	<hr/>
<b>Net assets</b>		<b>362,733</b>	409,246
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>11</i>	<b>7,040</b>	6,510
Reserves		<b>274,088</b>	317,674
		<hr/>	<hr/>
		<b>281,128</b>	324,184
		<hr/>	<hr/>
Non-controlling interests		<b>81,605</b>	85,062
		<hr/>	<hr/>
<b>Total equity</b>		<b>362,733</b>	409,246
		<hr/> <hr/>	<hr/> <hr/>

# 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 Queens 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 Peoples Republic of China (the “**PRC**”) with focus on air dome construction, operation and management.

In the opinion of the Directors, the major shareholder of the Company is Beijing Health (Holdings) Limited (formerly known as “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 2021. 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 Groups 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 Groups 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

In the preparation of the consolidated financial statements for the year ended 31 December 2021, the Group has applied the following amendments to HKFRSs, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021:

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 year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### **Impact on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2”**

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures (“**HKFRS 7**”). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by interbank offered rate (“**IBOR**”) reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when a risk-free interest rate instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Group.



#### **4. OPERATING SEGMENT INFORMATION**

For management purposes, the Group is organised into business units based on their products and services.

During the year ended 31 December 2021, the Group principally operates in one business segment, which is 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. Other segments were inactive and no revenue was generated from them. Therefore, only one reportable operating segment was identified for the year ended 31 December 2021.

During the year ended 31 December 2020, the Group 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 resource 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 (audited)	Sports and entertainment <i>HK\$'000</i> (audited)	Others <i>HK\$'000</i> (audited)	Total <i>HK\$'000</i> (audited)
<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>(40,766)</u>
<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	–	<u><u>11,985</u></u>

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

## Geographical information

### (a) Revenue from external customers

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Mainland China	181,191	120,877
Other Asian countries	<u>37,530</u>	<u>–</u>
	<u><b>218,721</b></u>	<u><b>120,877</b></u>

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

### (b) Non-current assets

All of the Group's non-current assets (excluding debt investments at FVOCI, certain financial assets at FVPL and deferred tax assets) are located in Mainland China, in which all of its revenue was derived.

## Information about major customers

In 2021, revenue of approximately HK\$33,313,000 was derived from provision of air dome construction services by sports and entertainment segment to a single customer. In 2020, revenue of approximately HK\$20,555,000 was derived from provision of air dome construction services by sports and entertainment segment to another single customer.

## 5. REVENUE, OTHER INCOME AND GAINS AND LOSSES

An analysis of revenue is as follows:

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Revenue from contracts with customers	<u>218,721</u>	<u>120,877</u>

### Revenue from contracts with customers

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

For the year ended 31 December 2021

Segments	Sports and entertainment <i>HK\$'000</i> (unaudited)
<b>Types of goods or services</b>	
Provision of air dome construction services	209,916
Rendering of operation and management services and other sports related services	<u>8,805</u>
Total revenue from contracts with customers	<u>218,721</u>
<b>Timing of revenue recognition</b>	
Services transferred at a point in time	104,393
Services transferred over time	<u>114,328</u>
Total revenue from contracts with customers	<u>218,721</u>

**For the year ended 31 December 2020 (audited)**

<b>Segments</b>	Sports and entertainment <i>HK\$'000</i> (audited)	Others <i>HK\$'000</i> (audited)	Total <i>HK\$'000</i> (audited)
<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
	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	118,371	2,506	120,877
	<hr/>	<hr/>	<hr/>
<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
	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	118,371	2,506	120,877
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

During the year, the Group recognised revenue of HK\$22,107,000 (2020: HK\$3,210,000) that was 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.

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

	<b>2021</b> <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Amounts expected to be recognised as revenue:		
Within one year	41,834	123,928
After one year	–	–
	<hr/>	<hr/>
	<b>41,834</b>	123,928
	<hr/> <hr/>	<hr/> <hr/>

The 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>2021</b> <b>HK\$'000</b> <b>(unaudited)</b>	2020 <i>HK\$'000</i> (audited)
<b>Other income</b>		
Bank interest income	523	223
Other interest income	3,840	1,622
Investment income and return from financial assets at FVPL	1,919	6,557
Investment income and return from debt investments at FVOCI	2,705	5,284
Government subsidies ( <i>note</i> )	1,269	289
Gross rental income from investment property operating leases	2,383	2,071
Others	371	433
	<u>13,010</u>	<u>16,479</u>
<b>Gains/(Loss)</b>		
Gain on foreign exchange differences, net	10,167	20,341
Fair value loss on unlisted equity investment at FVPL	(21,708)	(2,921)
Gain on disposal a subsidiary	1,573	–
Gain/(Loss) on disposal of debt investments at FVOCI	300	(2,962)
Loss on disposal of property, plant and equipment	(283)	(18)
Gain on disposal of an associate	–	137
Gain on termination of right-of-use assets	–	188
Loss on disposal of other intangible assets	–	(65)
	<u>(9,951)</u>	<u>14,700</u>
	<u><b>3,059</b></u>	<u><b>31,179</b></u>

*Note:* The amount represented subsidies on the Group's business development. There is no specific condition attached to these subsidies.

## 6. LOSS BEFORE TAX

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

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Cost of construction contracts	152,517	84,042
Cost of services provided	2,042	909
Cost of inventories sold	–	4,184
Depreciation of property, plant and equipment	6,100	3,218
Depreciation of investment properties	1,208	1,117
Depreciation of right-of-use assets	2,847	4,399
Amortisation of other intangible assets		
– included in cost of sales	358	10,684
– included in administrative expenses	86	377
	444	11,061
Research and development costs	10,409	8,229
Lease payments not included in the measurement of lease liabilities	615	436
Auditor's remuneration	1,719	2,717
Employee expenses (excluding directors and chief executives remuneration):		
Wages and salaries	24,234	27,993
Pension scheme contributions	2,978	3,456
	27,212	31,449
Impairment losses on property, plant and equipment*	–	543
Impairment losses on investment properties, net*	–	(323)
Impairment losses on inventories*	495	1,177
Direct operating expenses (including repairs and maintenance arising from rental-earning investing properties)*	1,881	1,534
Impairment losses on financial and contract assets:		
Impairment losses on other receivables, net	791	–
Impairment losses on contract assets, net	8,407	10,386
Impairment losses on trade receivables, net	13,186	4,184
Impairment losses on debt investments at FVOCI, net	16,421	4,844
	<b>38,805</b>	<b>19,414</b>

\* 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 EXPENSE/(CREDIT)

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 year, except for the Company which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of the Company are 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 the PRC corporate income tax. The standard PRC corporate income tax rate is 25% (2020: 25%).

Two (2020: two) PRC subsidiaries, MetaSpace and Yuedun Zhizao, were qualified as High and New Technology Enterprise (“HNTTE”) and, entitled to a preferential tax rate at 15% (2020: 15%) for the years ended 31 December 2021 and 2020. MetaSpace and Yuedun Zhizao entitle the preferential tax rate for the year ending 31 December 2023 and 31 December 2022 respectively. The HNTTE certificate needs to be renewed every three years so as to enable to enjoy the preferential tax rate.

Certain PRC subsidiaries are qualified as small and micro-sized enterprises (“SMEs”) for tax reduction. For the first RMB1 million of annual taxable income is eligible for 75% reduction and the income between RMB1 million and RMB3 million is eligible for 50% reduction at the applicable EIT tax rate of 20% for both years.

Certain PRC subsidiaries are entitled to an additional 100% (2020: 75%) tax reduction for the eligible research and development expenses.

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

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Current – Hong Kong		
Charge for the year	–	897
Under-provision in prior years	52	–
Current – Mainland China		
Charge for the year	362	52
Overprovision in prior years	–	(140)
Deferred	<u>1,955</u>	<u>(7,041)</u>
Total tax expense/(credit) for the year	<u><u>2,369</u></u>	<u><u>(6,232)</u></u>



## 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 1,396,000,000 (2020: 1,302,019,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 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 amounts presented.

## 9. TRADE AND BILLS RECEIVABLES

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Trade receivables arising from:		
Construction services	75,935	96,558
Operation, management and other sports related services	<u>1,568</u>	<u>854</u>
	77,503	97,412
Allowance for credit losses	<u>(42,413)</u>	<u>(29,496)</u>
Net trade receivables	35,090	67,916
Bills receivables at FVOCI – current	<u>8,451</u>	<u>4,638</u>
	<u><u>43,541</u></u>	<u><u>72,554</u></u>
<b>Analysed into:</b>		
Non-current	–	119
Current	<u><u>43,541</u></u>	<u><u>72,435</u></u>

The revenue derived from construction services are mainly made on the terms of the respective construction contracts. The revenue derived from operation, management and other sports related services are mainly made on (i) cash on delivery and (ii) credit terms of 30 to 90 days.

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 2021, 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 RMB7,100,000 (equivalent to HK\$8,684,000) (2020: RMB1,467,000 (equivalent to HK\$1,649,000)). The Derecognised Bills had a maturity of one to eleven months (2020: 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 2021 and 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>2021</b>	2020
	<b><i>HK\$’000</i></b>	<i>HK\$’000</i>
	<b>(unaudited)</b>	(audited)
Within 1 year	<b>19,129</b>	23,983
1 to 2 years	<b>7,282</b>	30,151
2 to 3 years	<b>8,570</b>	12,803
Over 3 years	<b>109</b>	979
	<b><u>35,090</u></b>	<u>67,916</u>

## 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:

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Within 1 month	16,237	30,680
1 to 2 months	15,423	13,732
2 to 3 months	7,127	13,992
Over 3 months	<u>39,253</u>	<u>32,325</u>
	<u><u>78,040</u></u>	<u><u>90,729</u></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 90 to 180 days upon issuance of bills.

## 11. SHARE CAPITAL

### Shares

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Authorised:		
4,000,000,000 (2020: 4,000,000,000) ordinary shares of HK\$0.005 each	<u><u>20,000</u></u>	<u><u>20,000</u></u>
Issued and fully paid:		
1,408,019,000 (2020: 1,302,019,000) ordinary shares of HK\$0.005 each	<u><u>7,040</u></u>	<u><u>6,510</u></u>

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

	<b>Number of shares in issue</b>	<b>Share capital <i>HK\$'000</i></b>
At 1 January 2020, 31 December 2020 and 1 January 2021	1,302,019,000	6,510
Issue of shares ( <i>note</i> )	<u>106,000,000</u>	<u>530</u>
At 31 December 2021	<u><u>1,408,019,000</u></u>	<u><u>7,040</u></u>

*Note:*

On 11 February 2021, the Company completed the acquisition of further 20% interests in a subsidiary. The consideration was settled by the allotment and issue of 106,000,000 ordinary shares of the Company measured at closing market price on completion date of HK\$0.17 per share.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND OUTLOOK**

#### **Sports and Entertainment Business**

In 2021, the National Bureau of Statistics and the General Administration of Sports of China jointly issued the “2020 National Sports Industry Total Scale and Value Added Data Announcement”. In 2020, the total production scale of the sports industry in China was RMB2.73 trillion, recorded an added value of RMB1.07 trillion. There was a decrease of 7.2% of the total production scale compared with 2019, and the added value decreased by 4.6%. The data in the report shows that the construction of fitness facilities such as stadiums, fitness trails and sports parks in China has a slightly increased of 0.1%, this reflected the Sports Industry was affected by the COVID-19 epidemic during 2020.

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 2021, MetaSpace has already constructed over 259 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 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 air dome structure.

In the 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.

During the Period, the Group’s revenue increased from approximately HK\$120.9 million to approximately HK\$218.7 million for the year ended 31 December 2021, representing an increase of approximately 80.9%. 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 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 year ended 31 December 2021, the Group's revenue was mainly attributable to the construction service of air dome facilities which amounted to approximately HK\$209.9 million of which approximately 66% was for use in sport facilities and approximately 30% for use in industrial facilities and the balance of approximately 4% 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\$8.8 million to the Group.

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 LongRange 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**

During the year ended 31 December 2020, the Group has successful applied for the Money lending licence in Hong Kong through a wholly-owned subsidiary.

During the year, the Group's money lending business in Hong Kong generated an interest income on loans amounting to approximately HK\$3.2 million (2020: HK\$0.2 million). As at 31 December 2021, there were three outstanding balances of loans receivable with approximately HK\$41.0 million (2020: HK\$10.0 million). During the year, the Group granted two new loans with the principal amount of approximately HK\$31 million to two customers. The Management shall continue to explore potential projects 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 2021 (2020: 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**

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 investments in the sports and entertainment related industry in the PRC with focus on air dome construction, operation and management.

During the year under review, the Group's turnover is approximately HK\$218.7 million comparing to approximately HK\$120.9 million during the corresponding year. Gross profit was approximately HK\$56.7 million comparing to the gross profit of approximately HK\$11.2 million during the corresponding year. The overall gross profit ratio increase from approximately 9.3% to approximately 25.9%.

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 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.

The increase in gross profit and gross profit margin was mainly due to the gradual recovery from the COVID-19 epidemic and the release of some work restrictions by the PRC government lead to the direct and indirect cost of the air dome construction projects resumed to normal.

Loss for the year attributable to owners of the Company was approximately HK\$38.8 million as compared to approximately HK\$11.9 million in the year ended 31 December 2020. Basic and diluted loss per share attributable to owners of the Company was approximately HK\$2.8 cents (31 December 2020: approximately HK\$0.9 cents).

As at 31 December 2021, the balance of cash and cash equivalents was approximately HK\$79.7 million (31 December 2020: approximately HK\$116.5 million).

### **Other Income and Gains and losses**

The Group recorded other income and gains and losses, net of HK\$3.1 million during the year, compared to HK\$31.2 million in the corresponding year. The decrease was mainly due to the fair value loss on unlisted equity investment at fair value through profit or loss of approximately HK\$21.7 million.

## **Administrative Expenses**

Administrative expenses for the year slightly increased to HK\$44.2 million, compared to HK\$44.1 million of the corresponding year. The administrative expenses mainly included staff cost of approximately HK\$19.3 million, research and development cost of approximately HK\$10.4 million, depreciation of approximately HK\$3.9 million and legal and professional fee of approximately HK\$3.3 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\$13.2 million and contract assets of HK\$8.4 million and the expected credit loss on debt investments through other comprehensive income of HK\$16.4 million.

## **Other expenses and losses**

The other expenses and losses were approximately HK\$2.4 million, which represented a decrease of approximately HK\$2.1 million or 46.7% from approximately HK\$4.5 million in the corresponding year.

## **Finance Costs**

Finance costs mainly represented the interests on the interest-bearing borrowings of approximately HK\$2.0 million and interests on lease liabilities of approximately HK\$1.1 million.

## **Property, plant and equipment**

Property, plant and equipment increased by HK\$13.5 million which was mainly due to the addition in the leasehold improvement of our new factory.

## **Goodwill**

Goodwill for HK\$29.1 million was mainly generated from the completion of the capital injection of Metaspaces on 18 April 2017. The decrease was mainly due to the disposal of Bodewei during the year.

## **Other Intangible Assets**

Other intangible assets are mainly represents patents, trademarks and software from Metaspace. The decrease from approximately HK\$0.7 million in the corresponding year to HK\$0.2 million in the 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 before payment is due. Upon completion of goods transferred or services rendered and agreed with the customers, the amounts recognised as contract assets are reclassified to trade receivables. The decrease in contract assets in 2021 was the result of the impairment loss on contract assets of approximately HK\$8.4 million 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 2021, 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\$2,705,000 (2020: HK\$5,284,000) and HK\$16,666,000 (2020: HK\$929,000), respectively.

During the year, due to the policy changed by the PRC government relating to the PRC real estate industry, some of the sizable real estate companies are facing financial difficulties that led to some of their corporate bonds have defaulted. Because of this, the Company recorded an impairment of these debt investments of approximately HK\$16.4 million during the year.

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. The Group's strategy is to hold these corporate bonds for long term purpose to earn an attractive yield.

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 31 December 2021 <i>USD'000</i>	Percentage to the Group's total assets %	Change in fair value recognised in
					the year ended 31 December 2021 <i>USD'000</i>
Qinghai Provincial Investment Group Co., Ltd.	QINGHAI INVEST GROUP 6.4% 10/7/2021	513	175	0.24	125
Modern Land (China) Co., Ltd	MODERN LAND CHINA CO LTD 12.85% 25/10/2021	500	93	0.13	(450)
Guangzhou R&F Properties Co., Ltd.	EASY TACTIC LTD 5.75% 13/1/2022	498	343	0.48	(142)
China Evergrande Group	CHINA EVERGRANDE GROUP 8.25% 23/3/2022	512	77	0.11	(400)
Kaisa Group Holdings Ltd.	KAISA GROUP HOLDINGS LTD 11.25% 9/4/2022	367	98	0.14	(270)
Fantasia Holdings Group Ltd	FANTASIA HOLDINGS GROUP 11.75% 17/4/2022	334	80	0.11	(300)
Nuoxi Capital Ltd.	NUOXI CAPITAL LTD 5.35% 24/1/2023	497	80	0.11	20
China Evergrande Group	CHINA EVERGRANDE GROUP 7.5% 28/6/2023	492	60	0.08	(387)
Tianjin State-Owned Capital Investment & Management Co Ltd	TIANJIN INVST MANAGEMENT 0.15% 17/12/2026	504	499	0.70	(3)
Agile Group Holdings Ltd.	AGILE GROUP HOLDINGS LTD FIX-TO VARIABLE (PERP) 8.375%	500	226	0.32	(312)
Total			1,731		(2,119)
Equivalent to HK'000			13,501		(16,666)

## 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 investments. 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 investments were held for long-term capital appreciation. During the year ended 31 December 2021, the investment income in respect of these wealth management products recognised in the statement of profit or loss and other comprehensive income amounted to HK\$1.9 million (2020: HK\$4.6 million).

Wealth management products	Revolving term	Yield	Fair value as at 31 December 2021 RMB'000	Percentage to the Group's total assets %	Investment cost RMB'000
Shanghai Pudong Development Bank – Monthly Profit No. 4 (Corporate Only)	redeemable on demand	3.50%	6,023	1.32	5,969
Shanghai Pudong Development Bank – Monthly Profit No. 1 (Corporate Only)	redeemable on demand	3.20%	7,548	1.66	7,500
Bank of Communication-Stable Enjoy Fixed Income Enhanced Day Open No.2 (30-day)	redeemable on due date	3.40%	12,054	2.65	12,000
China Merchants Bank – “Ri Ri Xin” No. 80008	redeemable on demand	2.95%	2,520	0.55	2,500
China Merchants Bank – Zhao Rui Qingkui 7C (6-month)	redeemable on due date	3.56%	1,517	0.33	1,500
China Merchants Bank – Tiantian Gold Stable 9205	redeemable on demand	2.81%	10,593	2.32	10,561
ICBC – “Tian Li Bao” Net Worth Wealth Management Product	redeemable on demand	2.36%	998	2.19	1,000
Total			41,253		41,030
Equivalent to HK\$'000			50,458		50,184

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 investments are as follows:

Name of equity	Cost of shares at 31 December 2021 <i>HK\$'000</i>	Number of shares held at 31 December 2021 <i>Share'000</i>	Fair value at 31 December 2021 <i>HK\$'000</i>	Percentage to the Group's total assets %	Change in fair value recognised for the year ended 31 December 2021 <i>HK\$'000</i>
Shanghai Benemae Pharmaceutical Corporation (Unlisted)	24,462	800	2,446	0.44	(21,708)
Jiangsu Zongyi Co, Ltd (600770.SH)	2,446	217	2,125	0.38	(321)
China General Education Group Limited (2175.HK)	14,384	3,859	14,857	2.67	473
Xiamen Kingdomway Group Company (002626.SZ)	915	19	717	0.13	(198)

## Trade and Bills Payables

The decrease in trade and bills payables by HK\$12.7 million was mainly due to the faster payment to our suppliers during the year to help them from the financial difficulties.

## **Liquidity, Financial Resources and Gearing Ratio**

The Group's net cash inflows from operating activities for the year under review amounted to approximately HK\$21.7 million (2020: approximately outflows of HK\$55.4 million). As at 31 December 2021, cash and cash equivalents amounted to approximately HK\$79.7 million, representing an decrease of approximately HK\$36.8 million as compared with the position as at 31 December 2020.

As at 31 December 2021, the gearing ratio (which is calculated by dividing total borrowings by total assets) was 7.1% (31 December 2020: 5.7%). During year ended 31 December 2020 and 2021, the Group did not hedge its exposure to interest rate risk.

As at 31 December 2021, the Group had current assets of approximately HK\$349.8 million (31 December 2020: approximately HK\$389.3 million) and current liabilities of approximately HK\$173.4 million (31 December 2020: approximately HK\$197.3 million). The current ratio (which is calculated by dividing current assets by current liabilities) was approximately 2.02 (31 December 2020: approximately 1.97).

## **Capital Expenditure**

The Group's capital expenditure was approximately HK\$19.3 million (2020: approximately HK\$12.0 million), representing additions to property, plant and equipment of the Group.

## **Capital Commitment**

As at 31 December 2021, the Group had capital commitments of approximately HK\$8.4 million (2020: approximately HK\$10.7 million).

## **Contingent Liabilities**

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

## **Charges on assets**

As at 31 December 2021, expect for the charge over the buildings and right-of-use assets with the carrying value of HK\$65.0 million and HK\$24.1 million respectively for securing the Group's interest-bearing bank borrowings (31 December 2020: charge over the buildings and right-of-use assets with the carrying value of HK\$66.4 million and HK\$23.9 million), the Group did not have any charge on assets.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2021, the Group had 132 full-time employees (2020: 175) 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 2021 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 2021, 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 redeemed any listed securities of the Company during the year ended 31 December 2021.

## **FINAL DIVIDEND**

The Board do not recommend the payment of any final dividend to the Shareholders for the year ended 31 December 2021 (2020: 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 unaudited annual results of the Group for the year ended 31 December 2021.

## **REVIEW OF UNAUDITED ANNUAL RESULTS**

The auditing process for the annual results for the year ended 31 December 2021 has not been completed due to the implementation of the tightened COVID-19 prevention and control quarantine measures in Hong Kong and Mainland China and temporary reduction in manpower resulting from the surge COVID-19 cases in Hong Kong and Mainland China. An announcement relating to the audited annual results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. The Company currently expects that the auditing process should be completed on or before 29 April 2022.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company, but have not been agreed with the Company's auditors.

## **FURTHER ANNOUNCEMENT(S)**

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited consolidated financial results for the year ended 31 December 2021 as agreed by the Company's auditor and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement(s) as and when necessary if there is other material development in the completion of the auditing process.

## **THE ANNUAL REPORT**

The annual report of the Company for the year ended 31 December 2021 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, 30 March 2022

*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.*