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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 2023

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 (collectively the “**Group**”) for the six months ended 30 June 2023, together with comparative figures for the corresponding period in 2022. The interim condensed consolidated results have not been audited, 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 2023

| | | Six-month period ended 30 June | |
|--|--------------|---|--------------------------------|
| | | 2023 | 2022 |
| | <i>Notes</i> | <i>HK\$'000</i> (Unaudited) | <i>HK\$'000</i> (Unaudited) |
| Revenue | 4 | 45,086 | 23,476 |
| Cost of sales and costs of construction services | | (35,639) | (20,458) |
| Gross profit | | 9,447 | 3,018 |
| Other income and gains and losses | 4 | 2,936 | 5,890 |
| Loss on deregistration of subsidiaries and an associate | | (5,602) | – |
| Selling and distribution expenses | | (5,037) | (3,987) |
| Administrative expenses | | (20,390) | (22,291) |
| Reversal of impairment/(impairment) of financial and contract assets | | 3,747 | (5,163) |
| Other expenses | 5 | (1,204) | (1,072) |
| Finance costs | | (1,002) | (760) |
| Share of profit/(loss) of an associate | | 127 | (27) |
| LOSS BEFORE TAX | 6 | (16,978) | (24,392) |
| Income tax credit/(expense) | 7 | 19 | (476) |
| LOSS FOR THE PERIOD | | (16,959) | (24,868) |

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

For the six-month period ended 30 June 2023

| | | Six-month period ended 30 June | |
|---|--------------|---|--|
| | <i>Notes</i> | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) |
| LOSS FOR THE PERIOD | | (16,959) | (24,868) |
| OTHER COMPREHENSIVE LOSS | | | |
| <i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i> | | | |
| Debt investments at fair value through other comprehensive income: | | | |
| Changes in fair value | | 229 | (4,590) |
| Reclassification adjustments included in profit or loss: | | | |
| (Gain)/loss on disposals | | (12) | 15 |
| (Reversal of impairment)/impairment | | (2,227) | 5,037 |
| Income tax effect | | – | (74) |
| | | (2,010) | 388 |
| Reclassification of foreign currency translation reserve upon deregistration of foreign operations | | (1,027) | – |
| Exchange differences on translation of foreign operations | | (6,267) | (10,946) |
| OTHER COMPREHENSIVE LOSS FOR THE PERIOD | | (9,304) | (10,558) |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD | | (26,263) | (35,426) |
| Loss attributable to: | | | |
| Owners of the Company | | (12,670) | (17,085) |
| Non-controlling interests | | (4,289) | (7,783) |
| | | (16,959) | (24,868) |
| Total comprehensive loss attributable to: | | | |
| Owners of the Company | | (19,060) | (23,263) |
| Non-controlling interests | | (7,203) | (12,163) |
| | | (26,263) | (35,426) |
| LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | |
| Basic and diluted (<i>HK cent</i>) | 9 | (0.90) | (1.21) |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

| | <i>Notes</i> | 30 June 2023 HK\$'000 (Unaudited) | 31 December 2022 HK\$'000 (Audited) |
|--|--------------|--|--|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 68,322 | 73,646 |
| Investment properties | | 16,637 | 17,842 |
| Right-of-use assets | | 26,191 | 27,955 |
| Goodwill | | – | – |
| Other intangible assets | | 127 | 155 |
| Investment in an associate | | – | 647 |
| Prepayments, other receivables and other assets | | 10,322 | 10,124 |
| Contract assets | | 5,850 | 4,104 |
| Debt investments at fair value through other comprehensive income | | 5,363 | 2,615 |
| Financial assets at fair value through profit or loss | | 406 | 468 |
| Deferred tax assets | | 11,327 | 11,700 |
| | | 144,545 | 149,256 |
| Total non-current assets | | | |
| CURRENT ASSETS | | | |
| Inventories | | 23,102 | 28,578 |
| Contract assets | | 40,939 | 50,106 |
| Trade and bills receivables | 10 | 11,417 | 11,213 |
| Prepayments, other receivables and other assets | | 19,554 | 17,572 |
| Debt investments at fair value through other comprehensive income | | 8,916 | 11,118 |
| Financial assets at fair value through profit or loss | | 1,929 | 2,527 |
| Restricted bank deposits | 11 | 24,244 | 10,895 |
| Cash and bank balances | | 83,423 | 105,259 |
| | | 213,524 | 237,268 |
| Total current assets | | | |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 12 | 47,334 | 49,807 |
| Other payables and accruals | | 37,866 | 40,757 |
| Interest-bearing bank and other borrowings | | 21,811 | 26,739 |
| Lease liabilities | | 5,071 | 4,338 |
| Tax payable | | 543 | 560 |
| | | 112,625 | 122,201 |
| Total current liabilities | | | |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

30 June 2023

| | | 30 June 2023 | 31 December 2022 |
|---|--------------|-------------------------|---------------------|
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | (Unaudited) | (Audited) |
| NET CURRENT ASSETS | | 100,899 | 115,067 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 245,444 | 264,323 |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | | 5,009 | 8,716 |
| Total non-current liabilities | | 5,009 | 8,716 |
| Net assets | | 240,435 | 255,607 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 13 | 7,040 | 7,040 |
| Reserves | | 172,278 | 191,338 |
| | | 179,318 | 198,378 |
| Non-controlling interests | | 61,117 | 57,229 |
| Total equity | | 240,435 | 255,607 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six-month period ended 30 June 2023

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

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

In the opinion of the directors of the Company, the major shareholder of the Company is Beijing Health (Holdings) 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 2023 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 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 2022.

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 2022, except for the adoption of the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group's condensed consolidated financial statements.

| | |
|--|--|
| HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17) | Insurance Contracts and related amendments |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to HKAS 8 | Definition of Accounting Estimates |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to HKAS 12 | International Tax Reform – Pillar Two Model Rules |

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

During the six months ended 30 June 2023 and 2022, the Group principally operates in one business segment, which is sports and entertainment segment engaging in air dome construction, operation and management and other peripheral services such as sports industry related consultation and management services. Other businesses were considered relatively insignificant for the six months ended 30 June 2023 and 2022.

4. REVENUE, OTHER INCOME AND GAINS AND LOSSES

An analysis of revenue is as follows:

| | Six-month period ended 30 June | |
|---------------------------------------|--------------------------------|-----------------|
| | 2023 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Revenue from contracts with customers | 45,086 | 23,476 |

Disaggregated revenue information for revenue from contracts with customers

| | Six-month period ended 30 June | |
|--|--------------------------------|-----------------|
| | 2023 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Types of goods or services | | |
| Provision of air dome construction services | 43,947 | 23,234 |
| Rendering of operation and management services and other sports related services | 1,120 | 242 |
| Sale of goods | 19 | – |
| Total revenue from contracts with customers | 45,086 | 23,476 |
| Timing of revenue recognition | | |
| Services/goods transferred at a point in time | 20,286 | 16,712 |
| Services transferred over time | 24,800 | 6,764 |
| Total revenue from contracts with customers | 45,086 | 23,476 |

Other income and gains and losses

| | Six-month period ended 30 June | |
|---|--------------------------------|---------------------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Other income | | |
| Bank interest income | 557 | 144 |
| Other interest income | 1,449 | 2,117 |
| Investment income from: | | |
| – financial assets at fair value through profit or loss | 434 | 465 |
| – debt investments at fair value through other comprehensive income | 640 | 453 |
| Government subsidies | 108 | 287 |
| Gross rental income from investment properties under operating leases | 918 | 892 |
| Others | – | 33 |
| | <u>4,106</u> | <u>4,391</u> |
| Gains/(losses) | | |
| (Loss)/gain on foreign exchange differences, net | (337) | 186 |
| Fair value (loss)/gain on financial assets at fair value through profit or loss | (727) | 1,059 |
| (Loss)/gain on disposals of: | | |
| – financial assets at fair value through profit or loss | 325 | – |
| – debt investments at fair value through other comprehensive income | (461) | 254 |
| – property, plant and equipment | 30 | – |
| | <u>(1,170)</u> | <u>1,499</u> |
| | <u>2,936</u> | <u>5,890</u> |

5. OTHER EXPENSES

| | Six-month period ended 30 June | |
|--|--------------------------------|--------------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Gross rental expense from investment properties under operating leases | 1,195 | 936 |
| Others | 9 | 136 |
| | <u>1,204</u> | <u>1,072</u> |

6. LOSS BEFORE TAX

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

| | Six-month period ended 30 June | |
|--|---------------------------------------|--------------------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Cost of construction contracts | 34,586 | 20,378 |
| Cost of services provided | 1,031 | 60 |
| Cost of sales | 22 | 20 |
| Depreciation of property, plant and equipment | 3,259 | 3,156 |
| Depreciation of investment properties | 632 | 630 |
| Depreciation of right-of-use assets | 1,676 | 860 |
| Amortisation of other intangible assets, included in administrative expenses | 23 | 27 |
| Research and development costs | 3,945 | 3,602 |
| Employee benefit expenses (excluding directors and chief executives remuneration): | | |
| – Wages and salaries | 12,910 | 9,618 |
| – Pension scheme contributions | 1,901 | 1,193 |
| | 14,811 | 10,811 |
| (Reversal of impairment)/impairment of financial and contract assets: | | |
| – Trade receivables | (1,899) | 192 |
| – Contract assets | 492 | (66) |
| – Other receivables | (113) | – |
| – Debt investments at fair value through other comprehensive income | (2,227) | 5,037 |
| | (3,747) | 5,163 |

7. INCOME TAX (CREDIT)/EXPENSE

The Company and its subsidiaries incorporated in Hong Kong are subject to Hong Kong Profits Tax at the rate of 16.5% (six months ended 30 June 2022: 16.5%). No provision for Hong Kong Profits Tax has been made as the Company and the subsidiaries incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax during the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

The Group's operations in Mainland China are subject to the PRC corporate income tax ("CIT"). The standard PRC CIT rate is 25% (2022: 25%).

Two PRC subsidiaries, MetaSpace and Yuedun Zhizao are accredited as High and New Technology Enterprise and entitled to a preferential tax rate of 15% (2022: 15%) for the six month ended 30 June 2023 and 2022.

Certain PRC subsidiaries were qualified as Small-scaled Minimal Profit Enterprise, and accordingly their CIT are calculated on a deemed profit margin.

Certain PRC subsidiaries are entitled to claim an additional 100% (2022: 100%) tax deductibility on 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 entities of the Group operate.

| | Six-month period ended 30 June | |
|--|--------------------------------|-------------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Current – Hong Kong | – | – |
| Current – Mainland China | 35 | 177 |
| Deferred | (54) | 299 |
| | <hr/> | <hr/> |
| Total tax (credit)/charge for the period | (19) | 476 |
| | <hr/> <hr/> | <hr/> <hr/> |

8. DIVIDENDS

The directors of the Company do not recommend any payment of interim dividends to shareholders of the Company for the six months ended 30 June 2023 (six months ended 30 June 2022: 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\$12,670,000 (six months ended 30 June 2022: HK\$17,085,000), and the weighted average number of ordinary shares of 1,408,019,000 (six months ended 30 June 2022: 1,408,019,000) in issue during the period.

No adjustment has been made to the basic loss per share presented for the six months ended 30 June 2023 and 2022 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 2023 HK\$'000 (Unaudited) | 31 December 2022 HK\$'000 (Audited) |
|---|--|--|
| Trade receivables | 49,133 | 51,560 |
| Less: Allowance for credit losses | (38,421) | (41,590) |
| | <hr/> | <hr/> |
| Trade receivables – current | 10,712 | 9,970 |
| Bills receivables at fair value through other comprehensive income – current | 705 | 1,243 |
| | <hr/> | <hr/> |
| | 11,417 | 11,213 |
| | <hr/> <hr/> | <hr/> <hr/> |

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 peripheral 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 the senior management regularly reviews any overdue balances. In the view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, the Group has 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.

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 2023 HK\$'000 (Unaudited) | 31 December 2022 HK\$'000 (Audited) |
|-------------------|--|--|
| Within 1 year | 5,056 | 5,138 |
| 1 to 2 years | 2,664 | 1,488 |
| 2 to 3 years | 2,453 | 2,788 |
| 3 years and above | 539 | 556 |
| | <u>10,712</u> | <u>9,970</u> |

At 30 June 2023, the Group's bills receivables would mature within twelve months (31 December 2022: within twelve months).

11. RESTRICTED BANK DEPOSITS

As at 30 June 2023, the Group had bank deposits of HK\$13,481,000 (31 December 2022: HK\$9,854,000) which were pledged to secure the bill payables with maturity date within one year from the date of reporting period.

As at 30 June 2023, the Group's bank deposits of RMB928,000 (equivalent to HK\$1,007,000 (31 December 2022: HK\$1,041,000)) were restricted for use in relation to outstanding litigation commenced by a departed employee in Mainland China against a subsidiary of the Group for an arbitration associated with labour dispute amounting to RMB903,000 (equivalent to HK\$981,000 (31 December 2022: HK\$1,012,000)) and related expenses. The directors of the Company are of the opinion that the commission in dispute and related expenses claimed by the departed employee were unreasonable and no provision for the dispute has been provided.

As at 30 June 2023, the Group's bank deposits of RMB8,995,000 (equivalent to HK\$9,756,000) were restricted for use in relation to outstanding litigation commenced by a customer against a subsidiary of the Group. During 2022, the subsidiary filed to court a claim against the abovementioned customer for the outstanding balance owed to the subsidiary. The abovementioned customer also filed to court a counterclaim for compensation of economic loss of its business suffered from the air dome with quality issues amounted to RMB8,995,000 (equivalent to HK\$9,756,000). The directors of the Company are of the opinion that the counterclaim from the abovementioned customer was unreasonable as for the delay payment from the abovementioned customer and no provision for the claim has been provided.

12. 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 2023 HK\$'000 (Unaudited) | 31 December 2022 HK\$'000 (Audited) |
|----------------|--|--|
| Within 1 month | 10,640 | 5,531 |
| 1-2 months | 2,586 | 3,786 |
| 2-3 months | 3,203 | 6,401 |
| Over 3 months | 30,905 | 34,089 |
| | 47,334 | 49,807 |

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 payables are normally settled on terms of 90 to 180 days upon issuance of bills.

13. SHARE CAPITAL

| | 30 June 2023 HK\$'000 (Unaudited) | 31 December 2022 HK\$'000 (Audited) |
|--|--|--|
| Authorised: 4,000,000,000 (31 December 2022: 4,000,000,000) ordinary shares of HK\$0.005 each | 20,000 | 20,000 |
| Issued and fully paid: 1,408,019,000 (31 December 2022: 1,408,019,000) ordinary shares of HK\$0.005 each | 7,040 | 7,040 |

MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the “**Board**” and the “**Directors**”) of Beijing Sports and Entertainment Industry Group Limited (the “**Company**”) is pleased to present the 2023 unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred as the “**Group**”) for the six-month period ended 30 June 2023 (the “**Current Period**”).

BUSINESS REVIEW AND OUTLOOK

During the Current Period, the Group recorded total revenue of HK\$45.1 million as compared with HK\$23.5 million in the six-months ended 30 June 2022 (the “**Corresponding Period**”), a gross profit of HK\$9.4 million as compared with HK\$3.0 million in the Corresponding Period and a net loss of HK\$17.0 million as compared with HK\$24.9 million in the Corresponding Period.

Sports and Entertainment Business

The Group is principally engaged in the sports and entertainment business. MetaSpace (Beijing) Air Dome Corp.* (“**MetaSpace**”), a non-wholly owned subsidiary of the Company, is a leading integrated service provider in the PRC focusing on construction, operation and management of air-dome facilities. These air domes can be widely applied in five major scopes: (i) sports, (ii) commercial and cultural tourism, (iii) industrial and environmental protection, (iv) agricultural warehousing, and (v) highland oxygen enrichment.

As the air dome technology advances, the public has increasingly recognised and accepted this innovative structure. Furthermore, the economic stimulus policies introduced by the Chinese government have created new demand for air dome structures. On one hand, through competitive negotiations and tenders, MetaSpace actively utilises its own technical advantages and professional competences to provide customers with comprehensive solutions. While establishing nationwide sales channels and diversifying its success cases, the company manages to increase market share, and convinces customers to recognise and accept its products and services. On the other hand, MetaSpace pursues market expansion through various professional exhibitions such as sports expos and logistics expos, establishes the MetaSpace brand within the industry, and enhances the market awareness of the dome structure technology. Besides promoting MetaSpace’s technical advantages through professional exhibitions, forums, and other forms, the company enters into collaboration with various partners on promoting the application of the dome structure technology in target industries. Meanwhile, MetaSpace will actively seek opportunities for its business expansion to other Asian countries.

As a leading enterprise in China’s air domes industry, MetaSpace is committed to promoting a green and environmental-friendly air domes system, skeleton domes, tensioned domes and other full series of domes structure products, as well as promoting an advanced technology concepts based on domes structure. Facing the new era of “Carbon Neutral” and “Carbon Peak”, the Company has initiated corresponding campaigns realising sustainability, insisting

* For identification purposes only

on integrating the concept of sustainable development into R&D, design, parts procurement, manufacturing, installation and operation and maintenance services, etc., with the aim of building a sustainable eco-friendly industrial chain, promoting the sustainable development of MetaSpace and the society, and maintaining the title of “Climate Pioneer” throughout the whole process.

As the COVID-19 pandemic stabilised in China in 2023, the preventive and control measures have become normalised. While macroeconomic recovery starts, the growth potential remain uncertain subject to external circumstances as well as post-pandemic impacts. Nevertheless, with a series of economic stimulus policies and consumption-boosting policies in place, businesses have begun to regain momentum. In this regard, the management is cautiously optimistic about the sales performance in this year.

The Group’s sports and entertainment business recorded revenue from provision of air dome construction services of HK\$44.0 million (Corresponding Period: HK\$23.2 million) and rendering of related consultation and management services of HK\$1.1 million (Corresponding Period: HK\$0.3 million) for the Current Period. The growth in revenue was mainly attributable to the gradual recovery of domestic market demand after the normalisation of the prevention and control measures in China relating to COVID-19, which enabled the construction work to be completed on a timely manner, and consequently satisfactory delivery to customers. The significant improvement in the gross profit margin of the business was mainly attributable to the implementation of refined project management, which effectively reduced the cost ratio of each project.

Money Lending Business

The Group runs the money lending business and provides lending to third party customers through an indirectly wholly owned subsidiary. During the Current Period, the Group’s lending business contributed interest income of HK\$1.4 million (Corresponding Period: HK\$2.1 million). As at 30 June 2023, there were three (31 December 2022: two) active loan accounts, gross loan balance of which were HK\$22.5 million (31 December 2022: HK\$18.5 million). Secured loans accounted for 37.8% (31 December 2022: 45.9%) while unsecured loans accounted for 62.2% (31 December 2022: 54.1%) of the portfolio. The tenors of the loans ranged from 12 to 24 months (31 December 2022: 12 to 24 months). The weighted average interest rate of the loans was 13.0% (31 December 2022: 12.3%).

Adhering to a robust risk management and control policies and balancing the liquidity needs of the Group, the Group will remain diligent to allocate internal capital to potential credible projects to generate a stable return.

Manufacturing and Sale of White Pigment Powder (“WPP”) Business

In the Corresponding Period, the Group initiated a new WPP business by establishing a 51% owned subsidiary in the PRC with a registered capital of RMB10 million. The subsidiary is indirectly held by the Group through a 60% owned subsidiary, and is principally engaged in the manufacturing and sale of WPP which chemical name is Titanium Dioxide. This product is excellent in whitening almost every material, weather-resistant, and has a diversified

applications (e.g., in coatings, plastics, rubber, paper and daily chemicals). China is currently the largest manufacturer and consumer of this product. The WPP business has a registered patent for its manufacturing process which is more environmental-friendly, cost-efficient and quality-guaranteed than conventional methods.

The Directors considered the WPP business still in preliminary stage, and anticipated significant growth after continuous efforts in refining and improving product stability and quality, as well as staying tuned in the market by keeping close contact with and by sending samples to potential customers. The Group is cautiously monitoring the development and will be scaling up production in due course. During the Current Period, in respect of the WPP business, the Group recognised revenue of HK\$0.1 million (Corresponding Period: nil) and a loss before tax of HK\$1.4 million (Corresponding Period: HK\$0.2 million).

FINANCIAL REVIEW

Revenue and Gross Profit

During the Current Period, the Group's revenue increased significantly from HK\$23.5 million in the Corresponding Period to HK\$45.1 million. The strong growth was attributable to the Sports and Entertainment segment which as aforementioned was benefited from the post-pandemic pick-up. Gross profit margin for the Current Period was 21.0%, significantly improved from the Corresponding Period of 12.9%, as the Group implemented refined management on project levels, and this effectively reduced the cost ratio of each project.

Other Income and Gains or Losses

During the Current Period, the Group recorded other income of HK\$4.1 million, comparable to HK\$4.4 million in the Corresponding Period. Other income mainly includes interest income, investment income and rental income.

Meanwhile the Group recorded other losses of HK\$1.2 million, mainly being fair value loss on financial assets at fair value through profit or loss of HK\$0.7 million and loss on disposals of debt investments at fair value through other comprehensive income of HK\$0.5 million.

Selling and Distribution Expenses

Selling and distribution expenses increased by 26.3% or HK\$1.1 million from HK\$4.0 million in the Corresponding Period to HK\$5.0 million in the Current Period, accounting for approximately 11.2% and 17.0% of the Group's revenue for the Current Period and the Corresponding Period respectively. In the Current Period a larger selling expenses had been spent as the Group put in more efforts in promotion when the economy and the business has potential to exponentially recover.

Administrative Expenses

Administrative expenses in the Current Period mainly composed of employee benefit expenses of HK\$7.8 million, research and development cost of HK\$3.9 million, legal and professional fee of HK\$3.2 million and depreciation and amortisation charge of HK\$2.7 million.

During the Current Period, total administrative expenses were HK\$20.4 million, which represented a decrease of approximately HK\$1.9 million or 8.5%, from HK\$22.3 million in the Corresponding Period. The drop was partly driven by the reduced back-office spending resulted from the disposal of certain subsidiaries in 2022.

Reversal of Impairment/(Impairment) of Financial and Contract Assets

As aforementioned the general economy was gloomy in 2022, and accordingly the Group's trade receivables and debt investments incurred significant impairment loss in the Corresponding Period. In the first half of 2023, the economy is starting to get recovered and the Group is also able to pick up the momentum. Consequently in the Current Period a reversal of impairment was noted for both of the Group's trade receivables and debt investments.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2023, the Group is in a net cash position of HK\$61.6 million (31 December 2022: net cash of HK\$78.6 million), with cash and bank balances of HK\$83.4 million (31 December 2022: HK\$105.3 million) and interest-bearing bank and other borrowings of HK\$21.8 million (31 December 2022: HK\$26.7 million).

The following table sets forth certain of the key financial ratios:

| | 30 June 2023 | 31 December 2022 |
|---|-------------------------|---------------------|
| Liquidity ratios | | |
| Current ratio ⁽¹⁾ | 1.90 | 1.94 |
| Quick ratio ⁽²⁾ | 1.69 | 1.71 |
| Capital adequacy ratios | | |
| Gearing ratio ⁽³⁾ | 0.09 | 0.10 |
| Debt to total assets ratio ⁽⁴⁾ | 0.06 | 0.07 |

Notes:

- (1) Current assets divided by current liabilities
- (2) Current assets less inventories divided by current liabilities
- (3) Interest-bearing bank and other borrowings divided by total equity
- (4) Interest-bearing bank and other borrowings divided by total assets

During the Current Period, the Group's net cash outflow from operating activities amounted to HK\$21.4 million (Corresponding Period: outflow of HK\$37.9 million).

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. 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.

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 some corporate bonds before maturity if such disposal will be in the best interest of the Group in light of various factors such as the prospect of bond issuers and their industries, any favorable perks to early redeem and immediate liquidity needs for operations or better investments.

During the six months ended 30 June 2023, the investment 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\$0.6 million (Corresponding Period: HK\$0.5 million) and HK\$0.2 million (Corresponding Period: fair value loss, net of tax effect, of HK\$3.8 million), respectively. During the Current Period, bond prices in general were less fluctuating than in Corresponding Period, and accordingly a reversal of impairment of HK\$2.2 million was recognised, while in Corresponding Period an impairment of HK\$5.0 million was noted.

| Stock code | Bond issuer | As at 30 June 2023 | | |
|------------|---|---|---------------------------------|---|
| | | Face value of bonds held <i>USD'000</i> | Market value <i>HK\$'000</i> | Percentage of market value to the Group's total assets |
| 3333 | China Evergrande Group (a) 8.25%, due 2022 (b) 7.5%, due 2023 | 500 500 | | |
| | | 1,000 | 424 | 0.1% |
| 618 | Nuoxi Capital Limited, a wholly-owned subsidiary of Peking University Founder Group Co., Ltd. (5.25%, due 2023) | 375 | 906 | 0.3% |
| 2777 | Easy Tactic Limited, a wholly-owned subsidiary of Guangzhou R&F Properties Co., Ltd. (6.5% in cash/7.5% with payment-in-kind, due 2025) | 420 | 291 | 0.1% |
| 1107 | Modern Land (China) Co., Ltd. (a) 7% in cash/9% with payment-in-kind, due 2023 (b) 9% in cash/11% with payment-in-kind, due 2027 | 200 399 | | |
| | | 599 | 244 | 0.1% |

| | | As at 30 June 2023 | | |
|------------|---|---|---------------------------------|---|
| Stock code | Bond issuer | Face value of bonds held <i>USD'000</i> | Market value <i>HK\$'000</i> | Percentage of market value to the Group's total assets |
| 3383 | Agile Group Holdings Ltd. (8.375%, perpetual) | 500 | 521 | 0.1% |
| 1777 | Fantasis Holdings Group Co., Ltd. (11.75%, due 2022) | 340 | 146 | 0.0% |
| 1638 | Kaisa Group Holdings Ltd. (11.25%, due 2022) | 348 | 176 | 0.0% |
| 1668 | China South City Holdings Ltd. | | | |
| | (a) 9%, due 2024 | 450 | | |
| | (b) 9%, due 2024 | 438 | | |
| | (c) 9%, due 2024 | 440 | | |
| | | 1,328 | 6,682 | 1.9% |
| 600606 | Greenland Global Investment Ltd., a wholly-owned subsidiary of Greenland Holdings Corp. Ltd. (5.9%, due 2023) | 190 | 365 | 0.1% |
| 656 | Fortune Star (BVI) Ltd., a wholly-owned subsidiary of Fosun International Limited (6.85%, due 2024) | 500 | 3,444 | 1.0% |
| N/A | Qinghai Provincial Investment Group Co., Ltd. (6.4%, due 2021) | 371 | 131 | 0.0% |
| N/A | Tianjin State-owned Capital Investment and Management Co., Ltd. (0.15%, due 2026) | 504 | 949 | 0.3% |
| | | 6,475 | 14,279 | 4.0% |

Financial Assets at Fair Value through Profit Or Loss

As of 30 June 2023, financial assets at fair value through profit or loss represented both listed equity securities and unlisted equity investment, carrying amounts of which were HK\$1.9 million (31 December 2022: HK\$2.5 million) and HK\$0.5 million (31 December 2022: HK\$0.5 million) respectively.

In the Current Period, the Group received returns of HK\$0.4 million (Corresponding Period: HK\$0.5 million) from these financial assets, and meanwhile recorded fair value loss of HK\$0.7 million (Corresponding Period: fair value gain of HK\$1.1 million). Besides the Group also recognised a gain on disposal of these financial assets amounted to HK\$0.3 million (Corresponding Period: nil).

Capital Expenditure

The Group's capital expenditure was HK\$0.5 million during the Current Period (Corresponding Period: HK\$0.9 million), representing the additions to property, plant and equipment.

Capital Commitment

There were no capital commitments contracted as at 30 June 2023 (31 December 2022: nil).

Contingent Liabilities and Litigation

As at 30 June 2023, the Group did not have any significant contingent liability and pending litigation (31 December 2022: nil).

Event after the Reporting Period

Save as disclosed elsewhere on the announcement, the Group did not have any significant events after the reporting period.

Charges on Assets

As at 30 June 2023, except for the charge over the buildings and right-of-use assets with the carrying value of HK\$53.0 million and HK\$19.6 million respectively for securing the Group's interest-bearing bank borrowings (31 December 2022: the charge over the buildings and right-of-use assets with the carrying value of HK\$56.5 million and HK\$20.5 million respectively), the Group did not have any charges on assets.

Credit Risk

The Group has no significant concentrations of credit risk with exposure spread over a large number of counterparties and customers. The carrying amounts of bank balances, trade receivables, contract assets and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. The Group will review and monitor the level of exposure to ensure that follow-up actions are taken to recover overdue debts. In addition, at the end of each reporting year, the recoverability of each trade debt is evaluated so as to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors are of the view that the Group does not expose to significant credit risk. The credit risk on liquid funds is limited because the counterparties are banks with high credit-rating.

Liquidity Risk

The Group is exposed to minimal liquidity risk as a substantial portion of its financial assets and financial liabilities are due within one year. With sufficient excess of current assets over current liabilities, it can finance its operations from existing shareholders' funds and internally generated cash flows such as realisation of certain short-term treasury investments.

For the liquidity risk, the Group monitors and maintains a level of bank balances and cash deemed adequate to finance the Group's operations and mitigate the effect of fluctuations in cash flows. The Group monitors current and expected liquidity requirements on a regular basis.

Foreign Currency Risk

The Group is exposed to foreign exchange risk, primarily from Renminbi and United States dollar. Foreign exchange risk arises from future commercial transactions, as well as recognised assets and liabilities. During the Current 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.

HUMAN RESOURCES

As at 30 June 2023, the Group had 142 full-time employees (31 December 2022: 141). 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. In addition, the Company has adopted a share option scheme as incentives to directors and eligible persons.

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 Current Period were HK\$14.8 million (Corresponding Period: HK\$10.8 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 was 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 (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules. In the opinion of the Board, the Company has complied with all the code provisions as set out in the CG Code throughout the Current Period, except for the following deviations:

Code Provision C.2.1

According to the code provision C.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 Current 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.

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 throughout the Current Period.

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 Current Period.

AUDIT COMMITTEE

The Company has established the Audit Committee on 3 December 2011 in accordance with the requirements of the CG 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 Current Period are unaudited but have been reviewed by the Audit Committee.

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 announcement, 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 Current 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 2023 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 the Group.

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

Hong Kong, 29 August 2023

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.