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)

2023 ANNUAL RESULTS ANNOUNCEMENT

The Board of directors (the "**Board**" and the "**Directors**") of Beijing Sports and Entertainment Industry Group Limited (the "**Company**") announces the consolidated annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2023 (the "**Current Year**") and comparative figures for the corresponding period in last year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023** *HK$'000*	2022 *HK$'000*
REVENUE	4	**62,388**	68,571
Cost of sales and costs of construction services		**(49,271)**	(54,400)
Gross profit		**13,117**	14,171
Other income and gains and losses	4	**13,068**	11,688
Selling and distribution expenses		**(10,628)**	(8,057)
Administrative expenses		**(46,017)**	(43,550)
Impairment of goodwill		**–**	(29,138)
Impairment of financial and contract assets	5	**(17,353)**	(24,896)
Other expenses and losses		**(11,366)**	(6,779)
Finance costs	6	**(1,729)**	(2,394)
Share of loss of an associate		**–**	(46)
LOSS BEFORE TAX	5	**(60,908)**	(89,001)
Income tax (expense)/credit	7	**(4,194)**	682
LOSS FOR THE YEAR		**(65,102)**	(88,319)

	Notes	**2023** **HK$'000**	2022 HK$'000
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Debt investments at fair value through other comprehensive income:			
Changes in fair value		**(6,782)**	(9,114)
Reclassification adjustments included in profit or loss:			
(Gain)/loss on disposals		**(61)**	15
Impairment		**9,317**	6,393
Income tax effect		**–**	91
		2,474	(2,615)
Reclassification of foreign currency translation reserve upon deregistrations and disposals foreign operations		**450**	(425)
Exchange differences on translation of foreign operations		**(4,115)**	(21,584)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**(1,191)**	(24,624)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(1,191)**	(24,624)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(66,293)**	(112,943)
Loss attributable to:			
Owners of the Company		**(49,023)**	(66,628)
Non-controlling interests		**(16,079)**	(21,691)
		(65,102)	(88,319)
Total comprehensive loss attributable to:			
Owners of the Company		**(48,577)**	(82,925)
Non-controlling interests		**(17,716)**	(30,018)
		(66,293)	(112,943)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic and diluted *(HK cents)*		**(3.4)**	(4.7)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	**2023** **HK$'000**	2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**65,712**	73,646
Investment properties		**16,427**	17,842
Right-of-use assets		**22,141**	27,955
Goodwill		**–**	–
Other intangible assets		**169**	155
Investment in an associate		**–**	647
Prepayments, other receivables and other assets		**375**	10,124
Contract assets	9	**823**	4,104
Debt investments at fair value through other comprehensive income		**1,055**	2,615
Financial assets at fair value through profit or loss		**880**	468
Deferred tax assets		**7,676**	11,700
Total non-current assets		**115,258**	149,256
CURRENT ASSETS			
Inventories		**21,440**	28,578
Contract assets	9	**28,881**	50,106
Trade and bills receivables	10	**16,662**	11,213
Prepayments, other receivables and other assets		**31,084**	17,572
Debt investments at fair value through other comprehensive income		**6,670**	11,118
Financial assets at fair value through profit or loss		**1,664**	2,527
Restricted bank deposits		**26,523**	10,895
Cash and bank balances		**87,023**	105,259
Total current assets		**219,947**	237,268

	Notes	**2023** **HK$'000**	2022 HK$'000
CURRENT LIABILITIES			
Trade and bills payables	11	**44,324**	49,807
Other payables and accruals		**67,938**	40,757
Interest-bearing bank and other borrowings		**24,133**	26,739
Lease liabilities		**5,113**	4,338
Tax payable		**17**	560
Total current liabilities		**141,525**	122,201
NET CURRENT ASSETS		**78,422**	115,067
TOTAL ASSETS LESS CURRENT LIABILITIES		**193,680**	264,323
NON-CURRENT LIABILITIES			
Lease liabilities		**3,990**	8,716
Deferred tax liabilities		**376**	–
Total non-current liabilities		**4,366**	8,716
NET ASSETS		**189,314**	255,607
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	**7,040**	7,040
Reserves		**127,935**	191,338
		134,975	198,378
Non-controlling interests		**54,339**	57,229
TOTAL EQUITY		**189,314**	255,607

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 has been changed to Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands effective from 3 November 2023. The principal place of business of the Company in Hong Kong is Room 101, 5/F., Greatmany Centre, 111 Queen's Road East, Wanchai, Hong Kong.

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

In the opinion of the directors, 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.

2.1 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 at FVOCI, 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 for the year ended 31 December 2023. 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 Group's share of components previously recognised in other comprehensive income/(loss) is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the preparation of the consolidated financial statements for the year ended 31 December 2023, 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 2023:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	*Insurance Contracts*
Amendment 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*

Except as described below, 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.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies. In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the HKFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*[1]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangement*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]
HK Interpretation 5 (2020)	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*[1]

1 Effective for annual periods beginning on or after 1 January 2024.
2 Effective for annual periods beginning on or after 1 January 2025.
3 No mandatory effective date yet determined but available for adoption.

The above new and amendments to existing standards do not expect to have a material impact on the consolidated financial statements of the Group. The Group will adopt the new and amended HKFRSs to existing standards when they become effective.

3. OPERATING SEGMENT INFORMATION

Management has determined the operating segments based on the information reviewed by the executive directors for the purposes of allocating resources and assessing performance.

During the years ended 31 December 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 years ended 31 December 2023 and 2022.

Geographical information

(a) Revenue from external customers

	2023	2022
	HK$'000	*HK$'000*
Mainland China	**62,388**	61,214
Other Asian countries	**–**	7,357
	62,388	68,571

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

Revenue from major customers, each of them accounting for 10% or more of the Group's revenue for the year, is set out below:

	2023	2022
	HK$'000	*HK$'000*
Provision of air dome construction services		
Customer A	**8,034**	–*
Customer B	**7,428**	–*
Customer C	**6,558**	–*

* Revenue from these customers for the year ended 31 December 2022 did not contribute 10% or more of the Group's revenue.

4. REVENUE, OTHER INCOME AND GAINS AND LOSSES

An analysis of revenue is as follows:

	2023	2022
	HK$'000	*HK$'000*
Revenue from contracts with customers	**62,388**	68,571

Revenue from contracts with customers

(a) Disaggregated revenue information

	2023	2022
	HK$'000	*HK$'000*
Types of goods or services		
Provision of air dome construction services	**60,836**	67,794
Rendering of operation and management services and other sports related services	**522**	527
Sale of goods	**1,030**	250
Total revenue from contracts with customers	**62,388**	68,571
Timing of revenue recognition		
Services/goods transferred at a point in time	**33,274**	36,296
Services transferred over time	**29,114**	32,275
Total revenue from contracts with customers	**62,388**	68,571

During the year, the Group recognised revenue of HK$7,137,000 (2022: HK$14,340,000) 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.

(b) Transaction price allocated to the remaining performance obligation

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

	2023	2022
	HK$'000	*HK$'000*
Amounts expected to be recognised as revenue:		
Within one year	**2,428**	15,429

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.

Other income and gains and losses

	2023	2022
	HK$'000	*HK$'000*
Other income		
Bank interest income	**1,475**	452
Other interest income	**2,215**	3,225
Investment income from:		
– Financial assets at FVPL	**583**	1,768
– Debt investments at FVOCI	**1,534**	1,735
Government subsidies *(note)*	**87**	622
Gross rental income from investment property under operating leases	**2,296**	2,163
Rental concessions	**16**	692
Others	**386**	1,524
	8,592	12,181
Gains/(losses)		
(Loss)/gain on foreign exchange differences, net	**(325)**	137
Fair value gain/(loss) on financial assets at FVPL	**548**	(1,845)
(Loss)/gain on disposals of:		
– Property, plant and equipment	**–**	(3)
– Subsidiaries	**–**	1,232
– Debt investments at FVOCI	**61**	(14)
– Financial assets at FVPL	**(795)**	–
Gain/(loss) on deregistrations and disposal of:		
– Subsidiaries	**5,051**	–
– An associate	**(488)**	–
Others	**424**	–
	4,476	(493)
	13,068	11,688

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

5. LOSS BEFORE TAX

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

	2023	2022
	HK$'000	*HK$'000*
Cost of construction contracts	**48,086**	49,162
Cost of services provided	**12**	197
Cost of sales	**1,173**	370
Depreciation and amortisation of:		
– Property, plant and equipment	**7,507**	5,992
– Investment properties	**1,079**	1,164
– Right-of-use assets	**3,350**	2,642
– Other intangible assets	**40**	50
Research and development costs	**6,723**	8,965
Lease payments not included in the measurement of lease liabilities	**–**	261
Auditor's remuneration	**1,400**	1,300
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
– Wages and salaries	**19,865**	21,836
– Pension scheme contributions	**2,123**	3,051
	21,988	24,887
Impairment of:		
– Property, plant and equipment*	**151**	3,460
– Right-of-use assets*	**2,768**	1,093
– Inventories*	**8,361**	–
Direct operating expenses (including repairs and maintenance) arising from rental-earning investing properties	**1,116**	1,750
Impairment/(reversal of impairment) of:		
– Other receivables, net	**978**	(145)
– Contract assets, net	**1,153**	14,782
– Trade receivables, net	**5,905**	3,866
– Debt investments at FVOCI, net	**9,317**	6,393
	17,353	24,896

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2023	2022
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**733**	1,449
Interest on lease liabilities	**996**	945
Total interest expenses on financial liabilities not through profit or loss	**1,729**	2,394

7. INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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 (2022: HK$2,000,000) of assessable profits of the Company are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

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 (2022: two) PRC subsidiaries, MetaSpace and Yuedun Zhizao were accredited as High and New Technology Enterprise ("**HNTE**") and entitled to a preferential tax rate of 15% (2022: 15%) for the years ended 31 December 2023 and 2022. The HNTE certificate needs to be renewed every three years so as to enable to enjoy the preferential tax rate.

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

	2023	2022
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge/(credit) for the year	**2**	(3,197)
Current – Mainland China		
Charge for the year	**42**	92
Over-provision in prior year	**(80)**	(5,492)
Deferred	**4,230**	7,915
Total tax charge/(credit) for the year	**4,194**	(682)

8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 1,408,019,000 (2022: 1,408,019,000) in issue during the year.

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

9. CONTRACT ASSETS

	2023	2022
	HK$'000	*HK$'000*
Contract assets	**54,993**	93,758
Allowance for credit losses	**(25,289)**	(39,548)
	29,704	54,210
Analysed into:		
Current portion	**28,881**	50,106
Non-current portion	**823**	4,104

Contract assets primarily relate to the Group's rights to consideration for services provided but not billed at the reporting date related to the provision of construction services as the receipt of consideration is conditional on successful completion of the construction. Included in the contract assets for services are retention receivables and unbilled trade receivables. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The expected timing of recovery or settlement for contract assets as at the end of the reporting period is as follows:

	2023	2022
	HK$'000	*HK$'000*
Within one year	**54,169**	89,501
After one year	**824**	4,257
Total contract assets	**54,993**	93,758

The movements in the allowance for credit losses of contract assets are as follows:

	2023	2022
	HK$'000	*HK$'000*
At beginning of year	**39,548**	29,264
Impairment *(note 6)*	**1,153**	14,782
Written off	**(13,723)**	(1,542)
Exchange realignment	**(1,689)**	(2,956)
At end of the year	**25,289**	39,548

10. TRADE AND BILLS RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**53,080**	51,560
Allowance for credit losses	**(41,363)**	(41,590)
Net trade receivables – current	**11,717**	9,970
Bills receivables at FVOCI – current	**4,945**	1,243
	16,662	11,213

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 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.

At 31 December 2023, MetaSpace and Yuedun Zhizao, two subsidiaries of the Group, endorsed certain bills receivables 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 RMB280,000 (equivalent to HK$308,000) (2022: RMB2,300,000 (equivalent to HK$2,578,000)). The Derecognised Bills had a maturity of five to seven months (2022: two to seven 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 2023 and 2022, the Group did not recognise any gain or loss in relation to the transfer of the Derecognised Bills and Continuing Involvement. 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:

	2023	2022
	HK$'000	*HK$'000*
Within 1 year	**8,010**	5,138
1 to 2 years	**2,840**	1,488
2 to 3 years	**867**	2,788
Over 3 years	**–**	556
	11,717	9,970

The movements in the allowance for credit losses of trade and bills receivables are as follows:

	2023	2022
	HK$'000	*HK$'000*
At beginning of year	**41,590**	42,413
Impairment *(note 6)*	**5,905**	3,866
Written off	**(5,360)**	(1,044)
Exchange realignment	**(772)**	(3,645)
At end of year	**41,363**	41,590

11. TRADE AND BILLS PAYABLES

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

	2023	2022
	HK$'000	*HK$'000*
Within 1 month	**8,272**	5,531
1 to 2 months	**5,361**	3,786
2 to 3 months	**2,082**	6,401
Over 3 months	**28,609**	34,089
	44,324	49,807

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.

12. SHARE CAPITAL

	2023	2022
	HK$'000	*HK$'000*
Authorised:		
4,000,000,000 (2022: 4,000,000,000) ordinary shares of HK$0.005 each	**20,000**	20,000
Issued and fully paid:		
1,408,019,000 (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 audited consolidated results of the Company and its subsidiaries (collectively referred as the "**Group**") for the year ended 31 December 2023 ("**Current Year**").

BUSINESS REVIEW AND OUTLOOK

During the Current Year, the Group recorded revenue of HK$62.4 million as compared with HK$68.6 million for the year ended 31 December 2022 ("**Corresponding Year**"), gross profit of HK$13.1 million as compared with HK$14.2 million in Corresponding Year and net loss of HK$65.1 million as compared with HK$88.3 million in Corresponding Year.

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.

The development of the air dome industry in China was initially sparked by the adoption of foreign technology. As domestic manufacturers have steadily expanded, foreign companies have progressively withdrawn from the Chinese market. At present, the domestic air dome market is highly concentrated, with leading enterprises possessing distinct competitive advantages. Nonetheless, the air dome market remains predominantly populated by small and medium-sized enterprises, with key players located in first-tier regions including Beijing, Shanghai, and Shenzhen.

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", MetaSpace has initiated corresponding campaigns realising sustainability, insisting 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.

In 2023, as we progressed beyond three years of COVID-19 pandemic control measures, the general economy experienced recovery and growth. In China, the economy has demonstrated steady growth, although it still faced certain risks and challenges. The central government has been advocating for high-quality development, with a focus on enhancing economic infrastructure. It has introduced a series of policies designed to stimulate consumption and expand domestic demand, aiming to achieve growth that is both qualitative and quantitative.

With the accomplishment of various key projects, such as the National Winter Sports Training Base in Chengde, the Curling and Ice Hockey Sports Center for peoples with disabilities in Beijing, the air dome-enclosed coal shed project in Indonesia, air dome winery in Jiangsu Province and Olympic stadium for throwing events in Hebei, MetaSpace has successfully demonstrated its expertise. Coupled with the ongoing enhancement in the innovation and application of spatial system solutions based on dome structure, MetaSpace has secured its position as a market leader in the air dome market of China, leading by the number of projects implemented in recent years.

During the year, through tendering and commercial negotiations, MetaSpace had signed 33 new contracts with a total amount of RMB220 million, as compared to 28 new contracts with a total amount of RMB120 million in the previous year.

The Group's Sports and Entertainment Business recorded revenue of HK$61.4 million in Current Year as compared to HK$68.3 million in Corresponding Year.

Meanwhile in Current Year this business had a loss before tax amounted to HK$37.4 million (inclusive of impairment losses on contract assets, trade receivables and inventories of HK$10.7 million), and that of Corresponding Year was HK$39.6 million (inclusive of impairment losses on contract assets, trade receivables and inventories of HK$18.7 million). With substantial new contracts in the pipeline, the management is cautiously optimistic about performance next year.

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 Year, the Group's lending business contributed interest income of HK$2.2 million (Corresponding Year: HK$3.2 million). As at 31 December 2023, there were four (2022: two) active loan accounts, gross loan balances of which were HK$26.0 million (2022: HK$18.5 million). The tenors of the loans ranged from 12 to 24 months (2022: 12 to 24 months). The weighted average interest rate of the outstanding loans as of 31 December 2023 was 12.0% (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 Year, 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. Main target customers are paper-manufacturers and coating companies.

Over the year, unfortunately the WPP Business did not happen to be as promising as expected, due to the fact that our target customers were severely impacted by the downturn of macroeconomy. Not only did their demand for procuring new materials greatly shrink, but also our price advantage diminished. Consequently in Current Year, the Group recognised impairment losses of HK$7.7 million in this respect (Corresponding Year: nil). Nevertheless, the management is still staying tuned in the market by keeping close contact with and by sending samples to potential customers.

During the Current Year, in respect of the WPP Business, the Group recognised revenue of HK$1.0 million (Corresponding Year: HK$0.3 million) and a loss before tax of HK$10.6 million (Corresponding Year: HK$1.4 million).

FINANCIAL REVIEW

Revenue and Gross Profit

In Current Year, the Group's revenue, predominately contributed from Sports and Entertainment Business, was HK$62.4 million, slightly dropped by 9.0% from that of HK$68.6 million in the Corresponding Year. Gross margin was 21.0%, comparable to 20.7% of last year.

Other Income and Gains or Losses

In Current Year the Group had other income of HK$8.6 million (Corresponding Year: HK$12.2 million). Other income mainly included interest income, investment income and rental income. The drop of HK$3.6 million was because of reduced investment returns and smaller rental concessions received.

Meanwhile the Group recorded other gains of HK$4.5 million (Corresponding Year: other losses of HK$0.5 million). Other gains or losses mainly represented incidental gains or losses arising upon derecognition of assets (including financial assets, investments in subsidiaries or associate, property, plant and equipment) as well as fair value changes in financial assets at fair value through profit or loss.

Selling and Distribution Expenses

Selling and distribution expenses were largely the employee benefit expenses incurred by marketing department, and the miscellaneous expenditures involved in exhibitions or public events for the Sports and Entertainment Business.

Administrative Expenses

Administrative expenses in the Current Year mainly composed of employee benefit expenses of HK$17.6 million, research and development cost of HK$6.7 million, as well as depreciation and amortisation charge of HK$9.6 million.

Total administrative expenses remained comparable over the past two years.

Impairment of Goodwill

The Group had goodwill of HK$29.1 million arising from acquisition of MetaSpace but such had been entirely written-off in the Corresponding Year due to the unfulfilling performances in the Sports and Entertainment Business.

Impairment of Financial and Contract Assets

Impairment losses on financial and contract assets represented the net changes in the provision for expected credit losses made for debt investments, trade receivables and contract assets.

Other Expenses and Losses

Other expenses and losses of Current Year were mainly impairment losses recognised on the WPP Business (Corresponding Year: impairment losses on the Sports and Entertainment Business), where the assets, categorised by property, plant and equipment, right-of-use assets and inventories, were written down to the estimated recoverable amounts.

Finance Costs

Finance costs were HK$1.7 million in Current Year (Corresponding Year: HK$2.4 million), being interest on borrowings and interest on lease liabilities.

Net Loss after Taxation

The Group recorded a net loss of HK$65.1 million in the Current Year, which was HK$23.2 million reduced from last year. The Corresponding Year had a larger extent in the loss mainly because of the large one-off goodwill impairment as above-mentioned.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL

During the year ended 31 December 2023, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures, except for deregistration of non wholly-owned subsidiaries which gave rise to a gain of HK$5.1 million.

FINANCIAL POSITION

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 Company 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.

Over the year the performance of these corporate bonds continued the gloomy sentiment in recent years. Bond prices, while still adversely affected by unfavourable market condition, were generally dropping owing to concerns about the liquidity and going concern issues and the tightening gearing policy over the PRC real estate developers. Certain of the corporate bonds held by the Group were in default and certain of them were contemplating debt restructuring exercises.

In Current Year, investment income from bonds was HK$1.5 million (Corresponding Year: HK$1.7 million). Besides, a fair-value loss of HK$6.8 million (Corresponding Year: HK$9.1 million) was recognised in the equity, while an impairment loss of HK$9.3 million (Corresponding Year: HK$6.4 million) was recognised in the profit or loss.

		As at 31 December 2023		
Stock code	**Bond issuer**	**Face value of bonds held**	**Market value**	**Percentage of market value to the Group's total assets**
		USD'000	*HK$'000*	
3333	China Evergrande Group			
	(a) 8.25%, due 2022	500		
	(b) 7.5%, due 2023	500		
		1,000	117	0.03%
618	Nuoxi Capital Limited, a wholly-owned subsidiary of Peking University Founder Group Co., Ltd. (5.25%, due 2023)	375	117	0.03%
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	135	0.04%
1107	Modern Land (China) Co., Ltd.			
	(a) 7% in cash/9% with payment-in-kind, due 2023	200		
	(b) 9% in cash/11% with payment-in-kind, due 2027	399		
		599	70	0.02%

Stock code	Bond issuer	As at 31 December 2023 Face value of bonds held *USD'000*	Market value *HK$'000*	Percentage of market value to the Group's total assets
3383	Agile Group Holdings Ltd. (8.375%, perpetual)	500	153	0.05%
1777	Fantasia Holdings Group Co., Ltd. (11.75%, due 2022)	340	63	0.02%
1638	Kaisa Group Holdings Ltd. (11.25%, due 2022)	348	78	0.02%
1668	China South City Holdings Ltd.			
	(a) 9%, due 2024	450		
	(b) 9%, due 2024	438		
	(c) 9%, due 2024	440		
		1,328	2,261	0.67%
600606	Greenland Global Investment Ltd., a wholly-owned subsidiary of Greenland Holdings Corp. Ltd. (5.9%, due 2023)	190	207	0.06%
656	Fortune Star (BVI) Ltd., a wholly-owned subsidiary of Fosun International Limited (6.85%, due 2024)	500	3,697	1.10%
N/A	Qinghai Provincial Investment Group Co., Ltd. (6.4%, due 2021)	371	59	0.02%
N/A	Tianjin State-owned Capital Investment and Management Co., Ltd. (0.15%, due 2026)	504	767	0.23%
		6,475	7,725	2.30%

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss held by the Group included both listed equity investment and unlisted equity investment.

The listed equity investments represented securities listed in Hong Kong Stock Exchange and Shenzhen Stock Exchange, while the unlisted equity investment represented an equity interest in a private company engaged in the pharmaceutical industry in the PRC.

During the Current Year, investment income from financial assets at FVPL recognised in profit or loss amounted to HK$0.6 million (Corresponding Year: HK$1.8 million).

Liquidity, Financial Resources and Capital Structure

As at 31 December 2023, the Group is in a net cash position of HK$62.9 million (2022: HK$78.5 million), with cash and bank balances of HK$87.0 million (2022: HK$105.3 million) and interest-bearing bank and other borrowings of HK$24.1 million (2022: HK$26.7 million).

The Group's net cash outflow from operating activities for the Current Year amounted to HK$18.3 million (Corresponding Year: HK$69.1 million).

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

	31 December 2023	31 December 2022
Liquidity ratios		
Current ratio[(1)]	**1.55**	1.94
Quick ratio[(2)]	**1.40**	1.71
Capital adequacy ratios		
Gearing ratio[(3)]	**0.13**	0.10
Debt to total assets ratio[(4)]	**0.07**	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

Capital Expenditure

The Group's capital expenditure was HK$2.1 million (Corresponding Year: HK$2.0 million), representing additions to property, plant and equipment of the Group.

Capital Commitments

As at 31 December 2023, the Group did not have significant capital commitments (2022: nil).

Contingent Liabilities

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

Charges on Assets

As at 31 December 2023, except for the charge over the buildings and right-of-use assets with the carrying value of HK$49.7 million and HK$19.7 million respectively for securing the Group's interest-bearing bank borrowings (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.

EVENTS AFTER THE REPORTING PERIOD

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

POSSIBLE RISK EXPOSURE

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, debt investments at fair value through other comprehensive income and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. The Group will adhere to a robust credit approval procedure when granting credits to new customers of Sports and Entertainment Business. The Group also regularly reviews and monitors the level of exposure and credibility of counterparties to ensure that prompt 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's credit risk is properly addressed.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

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.

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 with respect to Renminbi and United States dollar. Foreign exchange risk arises from future commercial transactions, as well as recognised assets and liabilities. The Group's exposure to foreign exchange risks also related to bank balances denominated in and debt investments denominated in United States Dollars (USD) in Hong Kong. Given the fact that the Hong Kong Dollar is pegged to the USD under the Linked Exchange Rate System, the fluctuation of the exchange rate of this pair is not significant. The Group mainly operates in the PRC with most of the transactions settled in RMB and certain transactions with other Asian countries denominated in USD. The Group may enter foreign currency forward contracts which are aligned with the terms of receivables to mitigate the exposure. Overall, management considers that the Group's businesses are not exposed to significant foreign exchange risk as there are no significant financial assets or liabilities of the Group are denominated in the currencies other than the respective functional currencies of the Group's entities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had 127 (2022: 141) full-time employees 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 determined 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.

DIVIDEND

The Board does not recommend the payment of any final dividend to shareholders for Current Year. 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied with all the code provisions as set out in the Corporate Governance Code (the "**CG Code**") throughout the year ended 31 December 2023 and up to the date of this annual results announcement, except 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 year ended 31 December 2023, Mr. Liu Xue Heng has been 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.

AUDIT COMMITTEE REVIEW

The Company has an audit committee which was established in accordance with the requirements of the CG code, for the purposes of reviewing and providing supervision over the financial reporting process, risk management and internal controls of the Group. The audit committee comprises 3 independent non-executive directors of the Company. The audit committee has adopted terms of reference which are in line with the CG Code. The Group's consolidated financial statements for the year ended 31 December 2023 have been reviewed and approved by the audit committee.

SCOPE OF WORK OF MOORE CPA LIMITED

The figures in respect of the Company's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2023 on this announcement have been agreed by the auditors of the Company, Moore CPA Limited, to the amounts set out in the Company's audited consolidated financial statements for the year. The work performed by the auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditors on this preliminary announcement.

PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL 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 annual report of the Company will be despatched to the shareholders of the Company upon request and available on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 26 March 2024

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.