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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 2024

The board (the “**Board**”) of directors (the “**Director(s)**”) 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 2024, together with comparative figures for the corresponding period in 2023. 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 2024

		Six-month period ended 30 June	
		2024	2023
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	4	54,748	45,086
Cost of sales and costs of construction services		(44,536)	(35,639)
Gross profit		10,212	9,447
Other income and gains and losses	4	3,848	2,936
Loss on deregistration of subsidiaries and an associate		–	(5,602)
Selling and distribution expenses		(6,538)	(5,037)
Administrative expenses		(21,203)	(20,390)
Reversal of impairment of financial and contract assets		1,754	3,747
Other expenses		(1,350)	(1,204)
Finance costs		(949)	(1,002)
Share of profit of an associate		–	127
LOSS BEFORE TAX	5	(14,226)	(16,978)
Income tax credit	6	15	19
LOSS FOR THE PERIOD		(14,211)	(16,959)

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

For the six-month period ended 30 June 2024

	<i>Notes</i>	Six-month period ended 30 June 2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
LOSS FOR THE PERIOD		(14,211)	(16,959)
OTHER COMPREHENSIVE LOSS			
<i>Items 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		2,650	229
Reclassification adjustments for items included in profit or loss:			
Gain on disposals		(46)	(12)
Reversal of impairment		(2,197)	(2,227)
		407	(2,010)
Reclassification of foreign currency translation reserve upon deregistration of foreign operations		–	(1,027)
Exchange differences on translation of foreign operations		(2,312)	(6,267)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		(1,905)	(9,304)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(16,116)	(26,263)
Loss attributable to:			
Owners of the Company		(8,652)	(12,670)
Non-controlling interests		(5,559)	(4,289)
		(14,211)	(16,959)
Total comprehensive loss attributable to:			
Owners of the Company		(9,223)	(19,060)
Non-controlling interests		(6,893)	(7,203)
		(16,116)	(26,263)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted (<i>HK cent</i>)	8	(0.61)	(0.90)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

		30 June 2024	31 December 2023
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		61,888	65,712
Investment properties		15,475	16,427
Right-of-use assets		20,736	22,141
Goodwill		–	–
Other intangible assets		152	169
Prepayments, other receivables and other assets		370	375
Contract assets		791	823
Debt investments at fair value through other comprehensive income		–	1,055
Financial assets at fair value through profit or loss		862	880
Deferred tax assets		7,543	7,676
Total non-current assets		107,817	115,258
CURRENT ASSETS			
Inventories		38,431	21,440
Contract assets		33,420	28,881
Trade and bills receivables	9	20,441	16,662
Prepayments, other receivables and other assets		32,214	31,084
Debt investments at fair value through other comprehensive income		9,754	6,670
Financial assets at fair value through profit or loss		2,569	1,664
Restricted bank deposits	10	16,210	26,523
Cash and bank balances		108,275	87,023
Total current assets		261,314	219,947
CURRENT LIABILITIES			
Trade and bills payables	11	71,310	44,324
Other payables and accruals		72,324	67,938
Interest-bearing bank and other borrowings		45,168	24,133
Lease liabilities		3,516	5,113
Tax payable		16	17
Total current liabilities		192,334	141,525

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

30 June 2024

		30 June 2024	31 December 2023
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
NET CURRENT ASSETS		68,980	78,422
TOTAL ASSETS LESS CURRENT LIABILITIES		176,797	193,680
NON-CURRENT LIABILITIES			
Lease liabilities		3,230	3,990
Deferred tax liabilities		369	376
Total non-current liabilities		3,599	4,366
Net assets		173,198	189,314
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	7,040	7,040
Reserves		118,712	127,935
		125,752	134,975
Non-controlling interests		47,446	54,339
Total equity		173,198	189,314

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six-month period ended 30 June 2024

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 Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong has been changed to Unit 703, 7/F, Pearl Oriental House, 60 Stanley Street, Central, Hong Kong effective from 1 May 2024.

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, 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 2024 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 D2 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 2023.

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 2023, 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 2024.

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement

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 2024 and 2023, 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 2024 and 2023.

4. REVENUE, OTHER INCOME AND GAINS AND LOSSES

An analysis of revenue is as follows:

	Six-month period ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	<u>54,748</u>	<u>45,086</u>

Disaggregation of revenue from contracts with customers

	Six-month period ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Types of goods or services		
Provision of air dome construction services	54,745	43,947
Rendering of operation and management services and other sports related services	3	1,120
Sale of goods	–	19
Total revenue from contracts with customers	<u>54,748</u>	<u>45,086</u>
Timing of revenue recognition		
Services/goods transferred at a point in time	15,940	20,286
Services transferred over time	<u>38,808</u>	<u>24,800</u>
Total revenue from contracts with customers	<u>54,748</u>	<u>45,086</u>

Other income and gains and losses

	Six-month period ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	559	557
Other interest income	1,554	1,449
Investment income from:		
– financial assets at fair value through profit or loss	485	434
– debt investments at fair value through other comprehensive income	361	640
Government subsidies	–	108
Gross rental income from investment properties under operating leases	1,565	918
Others	130	–
	4,654	4,106
Gains/(losses)		
Gain/(loss) on foreign exchange differences, net	199	(337)
Fair value loss on financial assets at fair value through profit or loss	(538)	(727)
(Loss)/gain on disposals of:		
– financial assets at fair value through profit or loss	–	325
– debt investments at fair value through other comprehensive income	(463)	(461)
– property, plant and equipment	(4)	30
	(806)	(1,170)
	3,848	2,936

5. LOSS BEFORE TAX

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

	Six-month period ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of construction contracts	44,532	34,586
Cost of services provided	4	1,031
Cost of sales	–	22
Depreciation and amortisation of:		
– Property, plant and equipment	2,865	3,259
– Investment properties	606	632
– Right-of-use assets	929	1,676
– Other intangible assets	13	23
Research and development costs	2,489	3,945
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
– Wages and salaries	12,907	12,910
– Pension scheme contributions	1,512	1,901
	14,419	14,811
Impairment of inventories	1,341	–
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	876	1,195
(Reversal of impairment)/impairment of financial and contract assets:		
– Trade receivables	1,396	(1,899)
– Contract assets	(953)	492
– Other receivables	–	(113)
– Debt investments at fair value through other comprehensive income	(2,197)	(2,227)
	(1,754)	(3,747)

6. INCOME TAX CREDIT

The Company and its subsidiaries incorporated in Hong Kong are subject to Hong Kong Profits Tax at the rate of 16.5% (2023: 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 2024 (six months ended 30 June 2023: nil).

The Group's operations in Mainland China are subject to the PRC corporate income tax ("CIT"). The standard PRC CIT rate is 25% (2023: 25%).

Two PRC subsidiaries, MetaSpace and Yuedun Zhizao are accredited as High and New Technology Enterprise (“HNTTE”) and entitled to a preferential tax rate of 15% for the six months ended 30 June 2024 and 2023. The HNTTE 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.

Certain PRC subsidiaries are entitled to claim an additional 100% (2023: 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	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current – Hong Kong	–	–
Current – Mainland China	34	35
Deferred	(49)	(54)
	<hr/>	<hr/>
Total tax credit for the period	(15)	(19)
	<hr/> <hr/>	<hr/> <hr/>

7. DIVIDENDS

The directors do not recommend the payment of any interim dividends to shareholders of the Company for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

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 period attributable to owners of the Company of HK\$8,652,000 (six months ended 30 June 2023: HK\$12,670,000), and the weighted average number of ordinary shares of 1,408,019,000 (six months ended 30 June 2023: 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 2024 and 2023 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. TRADE AND BILLS RECEIVABLES

	30 June	31 December
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables	57,540	53,080
Allowance for credit losses	(41,709)	(41,363)
	<hr/>	<hr/>
Net trade receivables – current	15,831	11,717
Bills receivables at fair value through other comprehensive income – current	4,610	4,945
	<hr/>	<hr/>
	20,441	16,662
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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 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Within 1 year	13,564	8,010
1 to 2 years	2,055	2,840
2 to 3 years	212	867
	<u>15,831</u>	<u>11,717</u>

At 30 June 2024, the Group's bills receivables would mature within twelve months (31 December 2023: within twelve months).

10. RESTRICTED BANK DEPOSITS

As at 30 June 2024, the Group had bank deposits of HK\$16,210,000 (31 December 2023: HK\$12,353,000) which were pledged to secure the bills payables with maturity date within one year from the date of reporting period.

As at 31 December 2023, the Group's restricted bank deposits of HK\$8,674,000 were restricted for use in relation to guarantee deposit for performing the construction contract. The construction contract had been completed, and accordingly the corresponding bank deposit was released during the six months ended 30 June 2024.

As at 31 December 2023, the Group's restricted bank deposits of HK\$4,244,000 were restricted for use in relation to a counter-claim by a customer in Mainland China. On 1 August 2022, a subsidiary of the Group initiated an arbitration against a customer for alleged default in payment of construction service income in an aggregate amount of RMB9,121,154 (equivalent to HK\$10,035,000) which was recognised as trade receivables. On 10 April 2023, Beijing Arbitration Commission adjudicated the customer had obligation on the defaulted payment. On 19 June 2023, a counter-claim was initiated by a customer to demand for (i) repairs on the air dome; (ii) installation of air-conditioners; and (iii) the economic loss due to the poor quality of work performed by the subsidiary. On 30 November 2023, the Court adjudicated the subsidiary was obligated to carry out repairs and installation of air-conditioners but dismissed the other claims on the air dome.

As at 31 December 2023, the Group's restricted bank deposits of HK\$231,000 were restricted for use in relation to outstanding litigations commenced by a supplier in Mainland China against a subsidiary of the Group for alleged default in payment of outstanding sub-contracting fees in an aggregate amount of RMB207,577 (equivalent to HK\$229,000) and all related interests and expenses. The cases were either dismissed by the Court or settled after the end of the reporting period. The sub-contracting fees were

recognised as trade payables and the directors of the Company are of the opinion that the provision of related interests and expenses for the above litigations is sufficient in the consolidated statement of financial position as at 31 December 2023.

As at 31 December 2023, the Group's restricted bank deposits of HK\$1,021,000 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 appeal of an arbitration decision in relation to labour dispute amounting to RMB928,000 (equivalent to HK\$1,021,000) and related expenses. The directors of the Company are of the opinion that the disputed commission and related expenses claimed by the departed employee were unreasonable and no provision for the dispute has been provided.

As at 30 June 2024, the above-mentioned cases had been either dismissed by the court or settled, and the corresponding restricted bank deposits had been released during the six months ended 30 June 2024.

11. TRADE AND BILLS PAYABLES

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

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Within 1 month	30,173	8,272
1–2 months	7,368	5,361
2–3 months	10,901	2,082
Over 3 months	22,868	28,609
	<u>71,310</u>	<u>44,324</u>

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.

12. SHARE CAPITAL

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Authorised:		
4,000,000,000 (31 December 2023: 4,000,000,000) ordinary shares of HK\$0.005 each	<u>20,000</u>	<u>20,000</u>
Issued and fully paid:		
1,408,019,000 (31 December 2023: 1,408,019,000) ordinary shares of HK\$0.005 each	<u>7,040</u>	<u>7,040</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Director(s)**”) of Beijing Sports and Entertainment Industry Group Limited (the “**Company**”) is pleased to present the 2024 unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred as the “**Group**”) for the six-month period ended 30 June 2024 (the “**Current Period**”).

BUSINESS REVIEW AND OUTLOOK

During the Current Period, the Group recorded total revenue of HK\$54.7 million as compared with HK\$45.1 million in the six-month period ended 30 June 2023 (the “**Corresponding Period**”), a gross profit of HK\$10.2 million as compared with HK\$9.4 million in the Corresponding Period and a net loss of HK\$14.2 million as compared with HK\$17.0 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.

The Group has set up a world-leading dome manufacturing centre in Huzhou, Zhejiang Province, with an annual processing capacity of over 5 million square metres. The production team formulates customised manufacturing processes according to customers’ demands and individual circumstances, factoring in sophisticated control throughout the entire production in order to create an efficient and safe environment for delivering domes with high stability and superb quality while enabling swift installation without hampering the standard. 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.

* For identification purposes only

In response to the five major areas mentioned above, in 2024 the PRC government introduced a series of policies for the industry, which are highlighted below:

- (i) Sports – In February 2024, the State General Administration of Sports issued the “Key Points of Mass Sports Work in 2024”, which aims to solve the problem of “where for fitness”, and to improve the accessibility and degree of balance of public services. At present, air dome structures have been widely used in badminton, table tennis, basketball, tennis, swimming, ice and snow facilities. The air dome structure can make full use of the scattered land in towns and villages, replenishing the shortage of public fitness facilities in towns and villages. This could also supplement the national fitness strategy in depth, and boost people’s consumption in the field of sports.
- (ii) Commercial and Cultural Tourism – In February 2024, the Ministry of Culture and Tourism and other departments fixed the first batch of pilot projects for the cultivation of smart and immersive touristic experience. This pilot work is conducive to guiding the innovative development of immersive touristic experience as well as unveiling new hotspots with enriched content. Air domes are well suited to the needs of immersive venues. The large span of net space makes it no longer difficult to create a visual beauty full of aesthetics and light sensitivity, allowing visitors to have a more all-rounded and technologically advanced amusement experience.
- (iii) Industrial and Environmental Protection – In March 2024, the Ministry of Industry and Information Technology and other departments issued the first “Guiding Opinions on Accelerating the Promotion of Greening of the Manufacturing Sector” to guide the overall leap in green development in the coming decade. In recent years, by means of green and low-carbon transformation, the level of technology and hardware and the efficiency of energy utilisation of China’s traditional industries have been greatly advanced, resulting in a reduction in emission of carbon dioxide and other pollutants by these key industries. The characteristics of air domes such as low cost, high sealing, large span and high altitude perfectly solve the problem of a confined dump (such as coal mine material), on the one hand, avoiding the spread of pollutants at source, and on the other hand, avoiding the waste of resources brought about by open stacking.
- (iv) Agricultural Warehousing – In January 2024, the State Council issued the “Opinions on Learning and Applying the Experience of the “Thousand Villages Demonstration and Ten Thousand Villages Improvement” Project to Powerfully and Effectively Promote the Comprehensive Revitalisation of Rural Areas”, with a view to ensuring national food security, strictly implementing the protection system for important agricultural products and arable land, and strengthening the construction of agricultural infrastructures and enhancing the ability to adjust and regulate food and important agricultural products. Air domes in the field of agriculture is widely used, both as a smart planting base for agricultural products, and as a storage for food preservation, and a transit station for the transport of fresh and live agricultural products. MetaSpace had constructed air-dome facilities for mushrooms and grain products; these energy-saving and efficient domes could help revitalisation of the countryside, assisting farmers to get rid of poverty.

- (v) Highland Oxygen Enrichment – “The Work Report of the People's Government of the Tibet Autonomous Region for the Year 2024” proposes support for grassroots heating operation, high-altitude oxygen supply, optimisation of the dietary structure of the masses, and forest insurance pilots. Air dome is good in heat preservation, and its high tightness minimises air loss and maximises oxygen utilisation. By supplying oxygen in a large-space by means of diffusion, the inner altitude-equivalence in air-dome could be reduced, and when supplemented by systems in controlling temperature and humidity, a non-destructive work can be achieved on the highland.

During the Current Period, the Group’s Sports and Entertainment Business had secured new contracts amounting to approximately RMB130 million and the management is cautiously optimistic about the future performance of the Group.

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\$1.6 million (Corresponding Period: HK\$1.4 million). As at 30 June 2024, there were four (31 December 2023: four) active loan accounts, gross loan balance of which were HK\$26.0 million (31 December 2023: HK\$26.0 million). The tenors of the loans ranged from 12 to 24 months (31 December 2023: 12 to 24 months). The weighted average interest rate of the loans was 12.0% (31 December 2023: 12.0%).

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 prior year the Group had established the WPP business but its performance had not been as flourishing as expected, and accordingly the identifiable assets of this business had been impaired in 2023. This year the WPP business is still experiencing difficulties in sourcing new customers. Nevertheless, the management is staying tuned in the market by keeping close contact with potential customers.

During the Current Period, in respect of the WPP business, the Group did not recognise any revenue (Corresponding Period: HK\$0.1 million) and recorded a loss before tax of HK\$0.1 million (Corresponding Period: HK\$1.4 million).

FINANCIAL REVIEW

Revenue and Gross Profit

The Group's revenue increased by approximately 21.4% from HK\$45.1 million in the Corresponding Period to HK\$54.7 million in the Current Period. The Group's revenue for the Current Period was entirely attributable to the Sports and Entertainment Business, and the increase was mainly driven by the larger number of projects under construction and completion following the recovering of economic activities in the previous year.

Gross profit margin decreased slightly from 20.9% for the Corresponding Period to 18.7% for the Current Period, which was mainly attributable to thinner margin of the projects during the Current Period as compared with that of the Corresponding Period of the previous year due to market competition, as well as an increase in the number of projects under construction and the increase in on-site construction costs charged to the operating costs during the Current Period.

Other Income and Gains or Losses

During the Current Period, the Group recorded other income of HK\$4.7 million, comparable to HK\$4.1 million in the Corresponding Period. Other income mainly includes interest income, investment income and rental income.

Meanwhile the Group recorded other losses of HK\$0.8 million, mainly being fair value loss on financial assets at fair value through profit or loss and loss on disposals of debt investments at fair value through other comprehensive income.

Selling and Distribution Expenses

Selling and distribution expenses increased by 29.8% or HK\$1.5 million from HK\$5.0 million in the Corresponding Period to HK\$6.5 million in the Current Period, accounting for approximately 11.9% and 11.2% of the Group's revenue for the Current Period and the Corresponding Period respectively. During the Current Period, in response to the increase in new contracted orders and in order to foster business growth, MetaSpace expanded its efforts in promotion, which resulted in an increase in the salaries of sales staff, travelling expenses and business promotion expenses, and thus an increase in the selling and distribution expenses.

Administrative Expenses

Administrative expenses in the Current Period mainly composed of employee benefit expenses of HK\$10.5 million, research and development cost of HK\$2.5 million, legal and professional fee of HK\$2.5 million and depreciation and amortisation charge of HK\$2.9 million.

During the Current Period, total administrative expenses were HK\$21.2 million, comparable to the Corresponding Period which were HK\$20.4 million.

Reversal of Impairment of Financial and Contract Assets

The amount is the net impact of impairment and reversal of impairment arising from trade receivables, contract assets, other receivables and debt investments. In Current Period, the amount is a net reversal mainly from the debt investments as a result of the bond price recovery from weak performances in prior years.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2024, the Group is in a net cash position of HK\$63.1 million (31 December 2023: HK\$62.9 million), with cash and bank balances of HK\$108.3 million (31 December 2023: HK\$87.0 million) and interest-bearing bank and other borrowings of HK\$45.2 million (31 December 2023: HK\$24.1 million).

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

	30 June 2024	31 December 2023
Liquidity ratios		
Current ratio ⁽¹⁾	1.36	1.55
Quick ratio ⁽²⁾	1.16	1.40
Capital adequacy ratios		
Gearing ratio ⁽³⁾	0.26	0.13
Debt to total assets ratio ⁽⁴⁾	0.12	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 inflow from operating activities amounted to HK\$3.6 million (Corresponding Period: outflow of HK\$13.1 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 2024, the investment income recognised in the statement of profit or loss and the fair value gain recognised in the statement of other comprehensive income amounted to HK\$0.4 million (Corresponding Period: HK\$0.6 million) and HK\$2.7 million (Corresponding Period: HK\$0.2 million), respectively. During the Current Period, bond prices in general were going up, and accordingly a reversal of impairment of HK\$2.2 million (Corresponding Period: HK\$2.2 million) was recognised.

		As at 30 June 2024		
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
3333	China Evergrande Group (a) 8.25%, due 2022 (b) 7.5%, due 2023	500 500		
		<hr/> 1,000	147	0.04%
618	Nuoxi Capital Limited, a wholly-owned subsidiary of Peking University Founder Group Co., Ltd. (5.25%, due 2023)	375	292	0.08%
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	106	0.03%
1107	Modern Land (China) Co., Ltd. (a) 9% in cash/11% with payment-in-kind, due 2027 (b) 9% in cash/9% with payment-in-kind, due 2029	445 218		
		<hr/> 663	5	0.00%
3383	Agile Group Holdings Ltd. (8.375%, perpetual)	500	103	0.03%
1777	Fantasis Holdings Group Co., Ltd. (11.75%, due 2022)	340	56	0.02%
1638	Kaisa Group Holdings Ltd. (11.25%, due 2022)	348	81	0.02%
1668	China South City Holdings Ltd. (a) 9%, due 2024 (b) 9%, due 2024 (c) 9%, due 2024	450 438 440		
		<hr/> 1,328	2,124	0.58%
600606	Greenland Global Investment Ltd., a wholly-owned subsidiary of Greenland Holdings Corp. Ltd. (5.9%, due 2023)	190	142	0.04%

		As at 30 June 2024		
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
656	Fortune Star (BVI) Ltd., a wholly-owned subsidiary of Fosun International Limited (6.85%, due 2024)	500	3,845	1.04%
N/A	Qinghai Provincial Investment Group Co., Ltd. (6.4%, due 2021)	371	29	0.01%
N/A	Tianjin State-owned Capital Investment and Management Co., Ltd. (0.15%, due 2026)	504	2,824	0.77%
		7,202	9,754	2.64%
		7,202	9,754	2.64%

Financial Assets at Fair Value through Profit Or Loss

Financial assets at fair value through profit or loss represented both listed and unlisted equity investments.

In the Current Period, the Group received returns of HK\$0.5 million (Corresponding Period: HK\$0.4 million) from these financial assets, and meanwhile recorded fair value loss of HK\$0.5 million (Corresponding Period: HK\$0.7 million).

Capital Expenditure

The Group's capital expenditure was HK\$0.6 million during the Current Period (Corresponding Period: HK\$0.5 million), representing the additions to property, plant and equipment.

Capital Commitment

There were no capital commitments contracted as at 30 June 2024 (31 December 2023: nil).

Contingent Liabilities and Litigation

As at 30 June 2024, the Group did not have any significant contingent liability and pending litigation against the Group (31 December 2023: 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 2024, except for the charge over the buildings and right-of-use assets with the carrying value of HK\$47.8 million and HK\$20.3 million respectively for securing the Group's interest-bearing bank borrowings (31 December 2023: 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), 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 2024, the Group had 132 full-time employees (31 December 2023: 127). 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\$14.4 million (Corresponding Period: HK\$14.8 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.

The corporate governance rules applicable to the Company is the code on corporate governance practices (the “**CG Code**”) as set out in Appendix C1 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (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 C3 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 THE COMPANY’S LISTED SHARES

During the Current Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed shares, including sales of treasury shares (the “**Treasury Shares**”) within the meaning under the Listing Rules. As at 30 June 2024, the Company did not hold any Treasury Shares.

AUDIT COMMITTEE

The Company has established the Audit Committee 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 2024 interim report of the Company will be despatched 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, 28 August 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 Directors are Mr. Hu Yebi and Ms. Hu Yi Na; 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.