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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 2022

The Board of directors (the “**Board**” and the “**Directors**”) of Beijing Sports and Entertainment Industry Group Limited (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022 (the “**Current Period**”), together with comparative figures for the corresponding period in last year. The 2022 interim condensed consolidated results of the Group are unaudited, but have been reviewed by the audit committee of the Company.

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

For the six-month period ended 30 June 2022

		Six-month period ended 30 June	
	<i>Notes</i>	2022	2021
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	23,476	88,854
Cost of sales and costs of construction services		<u>(20,458)</u>	<u>(72,645)</u>
Gross profit		3,018	16,209
Other income and gains and losses	4	5,890	9,587
Selling and distribution expenses		(3,987)	(5,177)
Administrative expenses		(22,291)	(19,293)
(Impairment losses)/reversal of impairment losses on financial and contract assets		(5,163)	603
Other expenses	5	(1,072)	(1,033)
Finance costs		(760)	(1,663)
Share of losses of an associate		<u>(27)</u>	<u>(12)</u>
LOSS BEFORE TAX	6	(24,392)	(779)
Income tax expense	7	<u>(476)</u>	<u>(296)</u>
LOSS FOR THE PERIOD		<u>(24,868)</u>	<u>(1,075)</u>
 OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive (loss)/income 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		(4,590)	(161)
Reclassification adjustments for items included in profit or loss:			
Loss/(gain) on disposals		15	(86)
Impairment losses		5,037	396
Income tax effect		<u>(74)</u>	<u>(24)</u>
		388	125
Exchange differences:			
Exchange differences on translation of foreign operations		<u>(10,946)</u>	<u>(652)</u>

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

For the six-month period ended 30 June 2022

	Six-month period ended 30 June	
<i>Notes</i>	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	(10,558)	(527)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(35,426)	(1,602)
(Loss)/profit attributable to:		
Owners of the Company	(17,085)	(1,166)
Non-controlling interests	(7,783)	91
	(24,868)	(1,075)
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(23,263)	(2,689)
Non-controlling interests	(12,163)	1,087
	(35,426)	(1,602)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	<i>9</i>	
Basic and diluted (<i>HK cent</i>)	(1.21)	(0.08)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	<i>Notes</i>	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		82,474	88,912
Investment properties		19,376	20,906
Right-of-use assets		25,798	27,876
Goodwill		29,138	29,138
Other intangible assets		186	221
Investment in an associate		695	734
Prepayments, other receivables and other assets		3,997	4,670
Contract assets		1,345	5,217
Debt investments at fair value through other comprehensive income		4,747	6,767
Financial assets at fair value through profit or loss		2,339	2,446
Deferred tax assets		19,921	20,941
Total non-current assets		190,016	207,828
CURRENT ASSETS			
Inventories		9,420	8,714
Contract assets		75,494	68,542
Trade and bills receivables	10	23,613	43,541
Prepayments, other receivables and other assets		43,118	57,987
Debt investments at fair value through other comprehensive income		14,006	6,734
Financial assets at fair value through profit or loss		34,967	68,168
Restricted bank deposits	11	4,696	16,405
Cash and bank balances		77,567	79,691
Total current assets		282,881	349,782
CURRENT LIABILITIES			
Trade and bills payables	12	45,061	78,040
Other payables and accruals		44,178	57,921
Interest-bearing bank and other borrowings		25,552	25,750
Lease liabilities		877	1,050
Tax payable		10,393	10,659
Total current liabilities		126,061	173,420

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2022

		30 June	31 December
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
NET CURRENT ASSETS		<u>156,820</u>	<u>176,362</u>
TOTAL ASSETS LESS			
CURRENT LIABILITIES		<u>346,836</u>	<u>384,190</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		6,560	13,589
Lease liabilities		6,988	7,777
Deferred tax liabilities		<u>164</u>	<u>91</u>
Total non-current liabilities		<u>13,712</u>	<u>21,457</u>
Net assets		<u><u>333,124</u></u>	<u><u>362,733</u></u>
EQUITY			
Share capital	<i>13</i>	7,040	7,040
Reserves		<u>251,000</u>	<u>274,088</u>
		258,040	281,128
Non-controlling interests		<u>75,084</u>	<u>81,605</u>
Total equity		<u><u>333,124</u></u>	<u><u>362,733</u></u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six-month period ended 30 June 2022

1. CORPORATE INFORMATION

Beijing Sports and Entertainment Industry Group Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 16 January 2012. The address of its registered office is 3/F., Queensgate House, 113 South Church Street, P.O. Box 10240, Grand Cayman, KY1-1002, the Cayman Islands. The principal place of business of the Company in Hong Kong is Room 101, 5/F., Greatmany Centre, 111 Queens Road East, Wanchai, Hong Kong.

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

In the opinion of the directors of the Company, the major shareholder of the Company is Beijing 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 2022 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirement of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

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 2021, except for the adoption of the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16 (2021)	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to HKFRS 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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 2022 and 2021, the Group principally operates in one business segment, which is sports and entertainment segment engaging in air dome construction, operation and management and other peripheral services such as sports industry related consultation and management services. Other segments were relatively insignificant for the six months ended 30 June 2022 and 2021. Therefore, only one reportable operating segment was identified for the six months ended 30 June 2022 and 2021.

4. REVENUE, OTHER INCOME AND GAINS AND LOSSES

An analysis of revenue is as follows:

	Six-month period ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	<u>23,476</u>	<u>88,854</u>

Disaggregated revenue information for revenue from contracts with customers

Sports and entertainment

Segments	Six-month period ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Types of goods or services		
Provision of air dome construction services	23,234	73,491
Rendering of related consultation and management services	<u>242</u>	<u>15,363</u>
Total revenue from contracts with customers	<u>23,476</u>	<u>88,854</u>
Timing of revenue recognition		
Services transferred at a point in time	16,712	60,398
Services transferred over time	<u>6,764</u>	<u>28,456</u>
Total revenue from contracts with customers	<u>23,476</u>	<u>88,854</u>

Other income and gains and losses

	Six-month period ended 30 June	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Other income		
Bank interest income	144	353
Other interest income	2,117	1,228
Investment income and return from financial assets at fair value through profit or loss	1,524	143
Investment income and return from debt investments at fair value through other comprehensive income	453	2,167
Gross rental income from investment properties under operating leases	892	1,094
Government subsidies	287	340
Others	33	129
	<u>5,450</u>	<u>5,454</u>
Gains/(losses)		
Gain on disposals of debt investments at fair value through other comprehensive income	254	86
Gain on foreign exchange differences	186	4,307
Loss on disposals of property, plant and equipment	—	(260)
	<u>440</u>	<u>4,133</u>
	<u>5,890</u>	<u>9,587</u>

5. OTHER EXPENSES

	Six-month period ended 30 June	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Other expenses		
Gross rental expense from investment properties under operating leases	936	938
Others	136	95
	<u>1,072</u>	<u>1,033</u>

6. LOSS BEFORE TAX

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

	Six-month period ended 30 June	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Cost of construction contracts	20,378	69,653
Cost of services provided	80	790
Depreciation of property, plant and equipment	3,156	2,858
Depreciation of investment properties	630	599
Depreciation of right-of-use assets	860	1,797
Amortisation of other intangible assets		
– involved in cost of sales	–	358
– involved in administration expense	27	53
	27	411
Research and development costs	3,602	1,807
Employee benefit expenses (excluding directors and chief executives remuneration):		
Wages and salaries	9,618	11,699
Pension scheme contributions	1,193	1,235
	10,811	12,934
Impairment losses/(reversal of impairment losses) on financial and contract assets:		
Impairment/(reversal of impairment) of trade receivables	192	(3,287)
(Reversal of impairment)/impairment of contract assets, net	(66)	2,288
Impairment of debt investments at fair value through other comprehensive income	5,037	396
	<u>5,163</u>	<u>(603)</u>

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for the Company which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2021: HK\$2,000,000) of assessable profits of the Company are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

The Group's operations in Mainland China are subject to the PRC corporate income tax. The standard PRC corporate income tax rate is 25% (2021: 25%).

Two (2021: two) PRC subsidiaries, MetaSpace and Yuedun Zhizao are qualified as High and New Technology Enterprise ("HNTE") and entitled to a preferential tax rate at 15% (2021: 15%) for the six month ended 30 June 2022 and 2021. MetaSpace and Yuedun Zhizao entitle the preferential tax rate for the year ending 31 December 2023 and 31 December 2022 respectively. The HNTE certificate needs to be renewed every three years so as to enable to enjoy the preferential tax rate.

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

Certain PRC subsidiaries are entitled to an additional 100% (2021: 100%) tax reduction for the eligible research and development expenses.

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

	Six-month period ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – Hong Kong	–	147
Current – Mainland China	177	77
Deferred	299	72
	<hr/>	<hr/>
Total tax charge for the period	476	296

8. DIVIDENDS

The directors of the Company did not recommend any payment of interim dividends to shareholders of the Company for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share is based on the loss for the period attributable to owners of the Company of HK\$17,085,000 (six months ended 30 June 2021: HK\$1,166,000), and the weighted average number of ordinary shares of 1,408,019,000 (six months ended 30 June 2021: 1,383,557,000) in issue during the six months ended 30 June 2022.

No adjustment has been made to the basic loss per share presented for the six months ended 30 June 2022 and 2021 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share presented.

10. TRADE AND BILLS RECEIVABLES

	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Trade receivables	59,225	77,503
Less: Allowance for credit losses	(39,450)	(42,413)
	<u>19,775</u>	<u>35,090</u>
Trade receivables		
Non-current	–	–
Current	<u>19,775</u>	<u>35,090</u>
	<u>19,775</u>	<u>35,090</u>
Bills receivables at fair value through other comprehensive income		
Current	<u>3,838</u>	<u>8,451</u>
	<u>23,613</u>	<u>43,541</u>

The revenue derived from construction services are mainly made on the terms of the respective construction contracts. The revenue derived from operation, management and other 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 overdue balances are reviewed regularly by senior management. In the view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Within 1 year	5,618	19,129
1 to 2 years	3,659	7,282
2 to 3 years	10,272	8,570
3 years and above	226	109
	<u>19,775</u>	<u>35,090</u>

At 30 June 2022, the Group's bills receivables would mature within twelve months (31 December 2021: within twelve months).

11. RESTRICTED BANK DEPOSITS

At the end of the reporting period, the Group's restricted bank deposits of HK\$4,345,000 (2021: HK\$14,881,000) were pledged to secure the bill payables with maturity date within one year from the date of reporting period. The remaining restricted bank deposit of HK\$351,000 was restricted for use in relation to an outstanding litigation commenced by a supplier in Mainland China against a subsidiary of the Group for alleged default in payment of outstanding sub-contracting fee in an aggregate amount of RMB278,853 (equivalent to HK\$326,063), already recorded in trade payables, and all related interest and expenses. The directors of the Company are of the opinion that the provision for related interest and expenses for the above litigation is sufficient in the consolidated statement of financial position as at 30 June 2022.

As at 31 December 2021, the Group's restricted bank deposits of HK\$1,524,000 were restricted for use in relation to outstanding litigations commenced by another 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 RMB1,085,915 (equivalent to HK\$1,328,000) and all related interests and expenses. As the cases were either dismissed by the court or settled, the restricted bank deposits were released during the six months ended 30 June 2022.

12. TRADE AND BILLS PAYABLES

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

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Within 1 month	4,527	16,237
1-2 months	959	15,423
2-3 months	4,081	7,127
Over 3 months	<u>35,494</u>	<u>39,253</u>
	<u>45,061</u>	<u>78,040</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.

13. SHARE CAPITAL

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Authorised:		
4,000,000,000 (31 December 2021: 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 2021: 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 of directors (the “**Board**” and the “**Directors**”) of Beijing Sports and Entertainment Industry Group Limited (the “**Company**”) is pleased to present the 2022 interim report and the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred as the “**Group**”) for the six-month period ended 30 June 2022 (the “**Current Period**”).

BUSINESS REVIEW AND OUTLOOK

During the Current Period, the Group recorded the revenue of HK\$23.5 million as compared with HK\$88.9 million for the six-months ended 30 June 2021 (the “**Corresponding Period**”), a gross profit of HK\$3.0 million as compared with the gross profit of HK\$16.2 million in the Corresponding Period and a net loss of HK\$24.9 million as compared with the net loss of HK\$1.1 million in the Corresponding Period.

Sports and Entertainment Business

The Group through its non-wholly owned subsidiary, MetaSpace (Beijing) Air Dome Corp* (“**MetaSpace**”), is the leading integrated service provider of construction, operation and management of air dome facilities in the PRC. These air-supported domes are widely adapted for use in multi-functional facilities such as sport and recreational facilities, logistic and warehousing centres, industrial storage facilities as well as commercial exhibition spaces.

The Group’s sports and entertainment business recorded revenue from provision of air dome construction services of HK\$23.2 million (Corresponding Period: HK\$73.5 million) and rendering of related consultation and management services of HK\$0.3 million (Corresponding Period: HK\$15.4 million) for the Current Period. The significant decrease was mainly due to the reduction in number and amount of new construction projects entered and suspended as well as delay of construction progress on the existing projects as a result of the resurgence of Covid-19 outbreak across various provinces in the People’s Republic of China (the “**PRC**”) as compared with the relatively more stable and favorable operating and market situation in the Corresponding Period. The business’s gross profit or ratio dropped accordingly but at a greater extent from HK\$16.2 million or 18.2% in the Corresponding Period to HK\$3.0 million or 12.8% in the Current Period because of a greater unit cost as a result of lower output and base to absorb the similar amount of fixed manufacturing overhead cost.

* For identification purpose only

Though the business underperformed in the Current Period largely because of the stringent anti-epidemic measures in the PRC wreaking havoc on commercial and construction activities of the industry, the Group remains fully confident in it. As a market leader of the industry with a track record of more than 250 successful constructions of air dome facilities, it will always be the first few to bounce back when things return to normality. In March 2022, the General Office of the State Council of the PRC government and another government office jointly issued a statement named “Opinions on building a better National Fitness Centre for Public well-beings” saying clearly to support the air dome facilities that meets the environment and safety requirements. It is perceived to have a profound impact on the application and development of Air Dome structure in the PRC. In addition, as the resurgence of the Covid-19 is moderating, the Group has picked up the pace of entering new projects and resumed to normal construction pace. With the reserve contracts on hands and potential contracts to be secured down the road, the Group is optimistic that, as it stands, the business volume in second half of 2022 will return to normal.

Money Lending Business

During the Current Period, the Group generated a loan income from a licenced money lending business in Hong Kong of approximately HK\$2.1 million (Corresponding Period: HK\$1.0 million). As at 30 June 2022, there were two outstanding loan receivables of HK\$26.5 million (31 December 2021: three loans with a carrying amount of HK\$40.8 million).

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

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

During the Current Period, the Group set up a new 51% owned subsidiary with a total registered capital of RMB10 million in the PRC to carry out manufacturing and sale of WPP with a chemical name of Titanium Dioxide. It is characterized as an excellent capability to whiten almost every material and weather resistance. It has a wide application in coatings, plastics, rubber, paper, daily chemicals. China is currently the world’s largest producer and consumer of the product. The business was still in a preliminary stage and recorded a start-up cost of HK\$0.2 million in the Current Period. As at the date of this announcement, the production line of WPP has been assembled and able to produce a small amount of finished products for quality testing, sampling and marketing. Through a series of tweaking the manufacturing process and formulas for a better quality of products and stability of production that lie ahead, a scalable production trial is anticipated by the end of this year.

FINANCIAL REVIEW

Revenue and gross loss/profit

During the Current Period, the Group's revenue was approximately HK\$23.5 million, representing a decrease of 73.6% from that of approximately HK\$88.9 million during the Corresponding Period. Gross profit or ratio was approximately HK\$3.0 million or 12.8% as compared to the gross profit or ratio of approximately HK\$16.2 million or 18.2% during the Corresponding Period. The decrease in both revenue and gross profit or ratios was due to the underperforming Sports and Entertainment segment which was the only segment of the Group in both reporting periods and the reasons for the decrease were set out in the prior paragraphs.

Other Income and gains or losses

The Group recorded other income and gains or losses of approximately HK\$5.9 million during the Current Period as compared with that of HK\$9.6 million in the Corresponding Period. The decrease was mainly due to decrease in gains on foreign exchange difference by HK\$4.1 million in Renminbi denominated monetary assets as result of a depreciation of Renminbi against Hong Kong dollars in the Current Period.

Selling expenses

Selling expenses decreased by 23.0% or HK\$1.2 million from approximately HK\$5.2 million in the Corresponding Period to approximately HK\$4.0 million during the Current Period, accounting for approximately 17.0% and 5.8% of the Group's revenue for the Current Period and the Corresponding Period respectively. The decrease in amount was mainly because the decrease in promotional expense and staff cost for sale and marketing department. It was generally in line with the decrease in revenue from Sports and Entertainment segment.

Administrative expenses

During the Current Period, the administrative expenses were approximately HK\$22.3 million, which represented an increase of approximately HK\$3.0 million or 15.5%, from approximately HK\$19.3 million in the Corresponding Period. The increase was mainly due to increase in research and development cost from Sports and Entertainment Segment of HK\$1.8 million in order to maintain our cutting-edge technology in the industry. The administrative expenses in the Current Period mainly composed of staff cost (including directors' remuneration) of approximately HK\$10.8 million, legal and professional fee of approximately HK\$2.4 million, research and development cost of approximately HK\$3.6 million and depreciation and amortization expenses of HK\$4.7 million.

(Impairment losses)/reversal of impairment losses on financial and contract assets, net

During the Current Period, the impairment losses on financial and contract assets amounted to HK\$5.2 million as compared with the reversal of the same of HK\$0.6 million in the Corresponding Period. The adverse change was mainly due to the impairment loss on corporate bonds approximately HK\$5 million especially those bond issuers with operation of property developments in the PRC. The stringent regulatory requirements have dealt a serious blow to the developers' ability to re-finance. It has spiral into a number of delayed or suspended constructions and delivery of housing because the debt-ridden developers do not have sufficient liquidity to finish projects on time. The overall property price has seen falling. The market sentiment on the real estate industry as well as the bond markets in which China property developers dominate has been weak. The Group's credit rating of long held corporate bonds have been downgraded or even defaulted and resulted in a greater impairment loss on the corporate bonds in the Current Period.

Due to (i) decrease in revenue and gross profit from the Sports and Entertainment segment, (ii) the recognition of a greater impairment loss on corporate bonds and (iii) decrease in gains on foreign exchange difference in Renminbi denominated monetary assets as result of a depreciation of Renminbi against Hong Kong dollars as detailed above, the Group recorded a greater loss for the Current Period attributable to owners of the Company of HK\$17.1 million as compared to approximately HK\$1.2 million for the Corresponding Period. Basic loss per share of the Company was approximately HK\$1.21 cents as compared to that of HK\$0.08 cents for the Corresponding Period.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2022, the balance of cash and bank balances was approximately HK\$77.6 million (31 December 2021: approximately HK\$79.7 million).

The Group's net cash outflow from operating activities for the Period amounted to approximately HK\$37.9 million (Corresponding Period: inflow of approximately HK\$12.9 million).

As at 30 June 2022, the Group had interest-bearing borrowings of approximately HK\$32.1 million (as at 31 December 2021: HK\$39.3 million). The gearing ratio (which is calculated by dividing total borrowings by total assets) was 6.8% (31 December 2021: 7.1%). During the six-month period ended 30 June 2022 and 2021, the Group did not hedge its exposure to interest rate risk.

As at 30 June 2022, the Group had current assets of approximately HK\$282.9 million (31 December 2021: approximately HK\$349.8 million) and current liabilities of approximately HK\$126.1 million (31 December 2021: approximately HK\$173.4 million). The current ratio (which is calculated by dividing current assets by current liabilities) was 2.24 (31 December 2021: 2.02).

Debt investments at fair value through other comprehensive income

Debt investments at fair value through other comprehensive income represents corporate bonds purchased by the Group through one financial institution in Hong Kong. These corporate bonds are measured at fair value as determined by reference to the quoted bid prices at the reporting date in the over-the-counter markets. During the six months ended 30 June 2022, the interest income recognised in the statement of profit or loss and the fair value loss, net of tax effect, recognised in the statement of other comprehensive income amounted to HK\$0.5 million (Corresponding Period: HK\$2.2 million) and HK\$3.8 million (Corresponding Period: HK\$0.1 million), respectively. The decrease in bond pricing indicated credit deterioration leading to a greater impairment loss of HK\$5.0 million in the Current Period (Corresponding Period: HK\$0.4 million).

The fair value of these corporate bonds is determined by reference to the quoted bid prices at the reporting date in the over-the-counter markets. The Group's strategy is to hold these corporate bonds for long term purpose to earn an attractive yield.

Nevertheless, the Group does not preclude the possibility of disposing 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.

Name of bond issuer	Name of bond	Investment cost <i>USD'000</i>	Fair Value as of 30 June 2022 <i>USD'000</i>	Percentage to the Group's total assets %	Change in fair value recognised for six months ended 30 June 2022 <i>USD'000</i>
Qinghai Provincial Investment Group Co., Ltd.	QINGHAI INVEST GROUP 6.4% 10/7/2021	513	75	0.12	(100)
Modern Land (China) Co., Ltd.	MODERN LAND CHINA CO LTD 12.85% 25/10/2021	500	79	0.13	(13)
Guangzhou R&F Properties Co., Ltd.	EASY TACTIC LTD 5.75% 13/1/2022	392	115	0.19	(120)
China Evergrande Group	CHINA EVERGRANDE GROUP 8.25% 23/3/2022	512	51	0.08	(26)
Kaisa Group Holdings Ltd.	KAISA GROUP HOLDINGS LTD 11.25% 9/4/2022	367	55	0.09	(42)
Fantasia Holdings Group Ltd.	FANTASIA HOLDINGS GROUP 11.75% 17/4/2022	334	28	0.05	(52)
Nuoxi Capital Ltd.	NUOXI CAPITAL LTD 5.35% 24/1/2023	497	88	0.15	8
China Evergrande Group	CHINA EVERGRANDE GROUP 7.5% 28/6/2023	492	38	0.06	(23)
Tianjin State-Owned Capital Investment & Management Co Ltd	TIANJIN INVST MANAGEMENT 0.15% 17/12/2026	504	498	0.83	(1)

Name of bond issuer	Name of bond	Investment cost <i>USD'000</i>	Fair Value as of 30 June 2022 <i>USD'000</i>	Percentage to the Group's total assets %	Change in fair value recognised for six months ended 30 June 2022 <i>USD'000</i>
Agile Group Holdings Ltd.	AGILE GROUP HOLDINGS LTD FIX-TO VARIABLE (PERP) 8.375%	500	107	0.18	(120)
China South City Holdings Ltd.	CHINA SOUTH CITY HOLDING 7.25% 20/11/2022	417	386	0.64	(31)
China South City Holdings Ltd.	CHINA SOUTH CITY HOLDING 10.875% 26/6/2022	432	364	0.60	(68)
China South City Holdings Ltd.	CHINA SOUTH CITY HOLDING 11.5% 12/2/2022	440	429	0.71	(11)
Greenland Global Investment Ltd.	GREENLAND GLB INVST 5.9% 12/2/2023	74	77	0.13	3
Total			<u>2,390</u>		<u>(596)</u>
Equivalent to HK'000			<u><u>18,753</u></u>		<u><u>(4,590)</u></u>

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent the subscribed wealth management products issued by licensed banks in the PRC and equity and fund investments. The wealth management products are measured at fair value and were subscribed by the Company through some non-wholly owned subsidiaries for short-term treasury management purpose and the equity and fund investments were held for either long-term capital appreciation or held for trading. For the Current Period, the investment return in respect of these wealth management products recognised in the statement of profit or loss amounted to approximately HK\$1.5 million (Corresponding Period: HK\$0.1 million).

Wealth management products	Revolving term	Yield	Fair value	Percentage	Investment cost
			as at 30 June 2022 <i>RMB'000</i>	to the Group's total assets % <i>RMB'000</i>	
Shanghai Pudong Development Bank – Yue Yue Xiang Ying Ding Kai No. 6	redeemable on due date	4.38%	6,001	1.48	6,000
Shanghai Pudong Development Bank – Zhou Zhou Xin Min. Holding Period No. 2	redeemable on due date	2.40%	1,500	0.37	1,500
Bank of Communication-Stable Enjoy Fixed Income Selected Daily Product B	redeemable on demand	3.06%	3,001	0.74	3,000
China Merchants Bank – “Ri Ri Xin” No. 80008	redeemable on demand	2.29%	3,100	0.77	3,100
China Minsheng bank-Guizhu fixed income and profit increasing single month holding period automatic renewal (corporate)	redeemable on due date	4.53%	7,081	1.75	7,000
China Merchants Bank – Zhao Rui Tiantian Gold Stable 9205	redeemable on demand	3.40%	4,016	0.99	4,000
China Industrial Bank – Net-value based Financial Product No. 3	redeemable on demand	2.71%	2,862	0.71	2,860

The Directors confirmed that the considerations of the purchase of the above wealth management products were determined on the basis of commercial terms negotiated at arm's length between the Group's subsidiaries and the issuers after having considered the available surplus cash of the Group's subsidiaries for cash management purpose.

The purchase of the wealth management products was for cash management purpose in order to maximize its return on the surplus cash received from its business operations. The Group expects that these wealth management products with revolving term will earn a better yield than direct deposits generally offered by commercial banks in the PRC, and thus will increase the overall earnings of the Group. In view of achieving balanced yield whilst maintaining relatively high liquidity, the Directors are of the view that investment in these wealth management products are fair and reasonable and in the interests of the Company and the Shareholders as a whole. However, the Group may have intention to release of any of these wealth management products at appropriate time for general working capital purpose or any future business opportunities when opportunities arise.

Detail of the equity and fund investments as follows:

Name of equity /fund investment	Cost of shares/fund at 30 June 2022 <i>HK\$'000</i>	Number of shares fund units held at 30 June 2022 <i>Share'000</i>	Fair Value at 30 June 2022 <i>HK\$'000</i>	Percentage to the Group's total assets %	Change in fair value recognised for the six months ended 30 June 2022 <i>HK\$'000</i>
Unlisted equity investment:					
Shanghai Benemae Pharmaceutical Corporation	23,386	800	2,337	0.49	–
Listed equity investment:					
Jiangsu Zongyi Co, Ltd.	2,339	217	2,224	0.47	199
New Horizon Health Limited	11	0.5	12	0.00	1
Listed fund investment:					
Hwabao WP Listed MMkt A	503	4	504	0.10	1

Capital expenditure

The Group's capital expenditure was approximately HK\$0.9 million during the Period (Corresponding Period: approximately HK\$13.4 million), representing the additions to property, plant and equipment during the Period.

Capital commitment

As at 30 June 2022, the Group's capital commitments amounted to approximately HK\$8.2 million (31 December 2021: approximately HK\$8.4 million).

Contingent liabilities and litigation

As at 30 June 2022, the Group did not have any significant contingent liability and pending litigation (31 December 2021: 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 2022, except for the charge over the buildings and right-of-use assets with the carrying value of HK\$62.4 million and HK\$25.8 million respectively for securing the Group's interest-bearing bank borrowings (31 December 2021: the charge over the buildings and right-of-use assets with the carrying value of HK\$66.8 million and HK\$24.1 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 arising from various currency exposures, primarily with respect to Renminbi and United States dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. During the 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 2022, the Group had 144 full-time employees (31 December 2021: 132). 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 Period were approximately HK\$10.8 million (Corresponding Period: approximately HK\$12.9 million).

CODE ON CORPORATE GOVERNANCE PRACTICES

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

Beijing Sports and Entertainment Industry Group Limited is incorporated in the Cayman Islands and has its shares listing on the Hong Kong Stock Exchange since 16 January 2012 (the “**Listing Date**”). The corporate governance rules applicable to the Company is the code on corporate governance practices as set out in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”). In the opinion of the Board, the Company has complied with all the code provisions as set out in the Corporate Governance Code throughout the Current Period, except for the following deviations:–

Code Provision C.2.1 (Previously A.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.

Code Provision C.3.3 (Previously D.1.4)

Under the code provision C.3.3, the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment with Mr. Lok Yuen Ming, Mr. Xin Luo Lin and Mr. Pan Lihui. However, the Directors are subject to retirement by rotation at least once every three years in accordance with the articles of association of the Company. In addition, the Directors are required to refer to the guidelines set out in “A Guide on Directors’ Duties” issued by the Companies Registry and “Guidelines for Directors” and “Guide for Independent Non-executive Directors” (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as directors of the Company.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the provision of the Model Code for Securities Transactions by Directors of listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules regarding securities transactions by directors and senior management. After specific enquiry, all Directors of the Company confirmed that they have complied with the required standard of dealings set out in the Model Code throughout the Current Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

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

AUDIT COMMITTEE

The Company has established the Audit Committee on 3 December 2011 in accordance with the requirements of the Corporate Governance Code for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal control. The Audit Committee comprises three independent non-executive Directors. The interim results for the 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 report, the Company has maintained a sufficient public float as required under the Listing Rules.

DIVIDEND

The Board does not recommend the payment of any interim dividend to shareholders for 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 2022 interim report of the Company will be dispatched to the shareholders of the Company and available on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 26 August 2022

As at the date of this announcement, the executive Directors are Mr. Liu Xue Heng, Mr. Lam Ka Tak and Mr. Hou Gongda; the non-executive Director is Mr. Hu Yebi; and the independent non-executive Directors are Mr. Tse Man Kit, Keith, Mr. Lok Lawrence Yuen Ming, Mr. Xin Luo Lin and Mr. Pan Lihui