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HK1803

北京體育文化產業集團有限公司

BEIJING SPORTS AND ENTERTAINMENT INDUSTRY GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1803)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the "**Board**") of Beijing Sports and Entertainment Industry Group Limited (the "**Company**") announces the consolidated annual results of the Company and its subsidiaries (collectively the "**Group**") prepared in accordance with Hong Kong Financial Reporting Standards for the year ended 31 December 2016, together with the comparative figures for the year 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2016

	Notes	2016 HK$'000	2015 HK$'000
REVENUE	4	**82,518**	510,793
Cost of sales		**(73,930)**	(441,897)
Gross profit		**8,588**	68,896
Other income and gains	5	**17,774**	1,279
Selling and distribution expenses		**(1,768)**	(6,262)
Administrative expenses		**(58,059)**	(79,391)
Other expenses		**(16,180)**	(19,376)
Finance costs		**(868)**	(1,277)
Share of profits and losses of an associate		**–**	529
LOSS BEFORE TAX	6	**(50,513)**	(35,602)
Income tax expense	7	**(1,605)**	(3,232)
LOSS FOR THE YEAR		**(52,118)**	(38,834)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Available-for-sale financial assets:			
Changes in fair value		**653**	(2,048)
Reclassification adjustments for loss included in profit or loss – loss on disposal		**2,157**	–
		2,810	(2,048)
Exchange differences:			
Exchange differences on translation of foreign operations		**(2,244)**	(1,255)
Reclassification adjustments for foreign operations disposed of during the year		**225**	–
		(2,019)	(1,255)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
YEAR ENDED 31 DECEMBER 2016

	Note	2016 HK$'000	2015 HK$'000
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**791**	(3,303)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**791**	(3,303)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(51,327)**	(42,137)
Loss attributable to:			
– Owners of the parent		**(48,264)**	(40,612)
– Non-controlling interests		**(3,854)**	1,778
		(52,118)	(38,834)
Total comprehensive loss attributable to:			
– Owners of the parent		**(46,611)**	(43,703)
– Non-controlling interests		**(4,716)**	1,566
		(51,327)	(42,137)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic and diluted		**HK(4.6) cents**	HK(5.0) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2016

	Notes	**2016** **HK$'000**	2015 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**17,617**	6,637
Investment properties		**87,000**	87,000
Goodwill		**764**	–
Available-for-sale financial assets		**–**	13,605
Prepayment and deposits		**9,794**	331
Total non-current assets		**115,175**	107,573
CURRENT ASSETS			
Inventories		**521**	–
Trade receivables	*9*	**6,652**	71,491
Prepayments, deposits and other receivables		**22,866**	10,251
Tax recoverable		**834**	391
Pledged deposits		**–**	6,388
Cash and cash equivalents		**306,398**	51,029
Total current assets		**337,271**	139,550
CURRENT LIABILITIES			
Trade and bills payables	*10*	**8,202**	66,063
Other payables and accruals		**25,798**	22,380
Finance lease liabilities		**–**	64
Interest-bearing bank borrowings		**–**	25,148
Loans from a shareholder		**175,156**	20,043
Tax payable		**3,654**	1,949
Total current liabilities		**212,810**	135,647
NET CURRENT ASSETS		**124,461**	3,903
TOTAL ASSETS LESS CURRENT LIABILITIES		**239,636**	111,476

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
31 DECEMBER 2016

	Note	2016 HK$'000	2015 HK$'000
NON-CURRENT LIABILITIES			
Other payables		**774**	–
Finance lease liabilities		**–**	65
Deferred tax liabilities		**233**	53
Total non-current liabilities		**1,007**	118
Net assets		**238,629**	111,358
EQUITY			
Equity attributable to owners of the parent			
Share capital	*11*	**5,841**	4,689
Reserves		**221,199**	104,558
		227,040	109,247
Non-controlling interests		**11,589**	2,111
Total equity		**238,629**	111,358

NOTES

1. CORPORATE AND GROUP INFORMATION

Beijing Sports and Entertainment Industry Group Limited (the "Company"), formerly known as ASR Logistics Holdings Limited, is a limited liability company incorporated in the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 January 2012. The address of its registered office is 3rd Floor, Queensgate House, 113 South Church Street, P.O. Box 10240, Grand Cayman, KY1-1002 Cayman Islands.

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in the provision of air freight services in the wholesale market and investment and operation of the sports and entertainment related business in the People's Republic of China (the "PRC").

In the opinion of the directors, the major shareholder of the Company is Beijing Enterprises Medical and Health Industry Group Limited which was incorporated in the Cayman Islands, and the shares of which are listed on the Stock Exchange.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale financial assets, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

The adoption of the above revised standards has had no significant financial effect on these financial statements.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. OPERATING SEGMENT INFORMATION

During the year ended 31 December 2016, the Group commenced sport and entertainment business and changed its internal organisation accordingly. For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments: (a) logistics segment provides air freight services in the wholesale market; (b) sport, entertainment and others segment is a new segment in the current period investing in and operating air-domed stadium business and other newly initiated businesses. As a result of the change in the composition of the Group's reportable segments.

For the year ended 31 December 2015, the Group had one single operating and reportable segment which was the logistics segment. All of the Group's operating results were generated from this single segment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that interest income, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Year ended 31 December 2016	Logistics	Sport, entertainment and others	Total
	HK$'000	HK$'000	HK$'000
Segment Revenue：			
Sales to external customers	**74,144**	**8,374**	**82,518**
Segment results	**(21,179)**	**(20,816)**	**(41,995)**
Reconciliation:			
Interest income			**298**
Corporate and unallocated expenses			**(7,948)**
Finance costs			**(868)**
Loss before tax			**(50,513)**
Other segment information:			
Impairment losses recognised and write-off in profit or loss	**3,494**	**1,790**	**5,284**
Depreciation	**1,774**	**2,449**	**4,223**
Capital expenditure*	**–**	**15,052**	**15,052**

* Capital expenditure consists of additions to property, plant and equipment including assets from the acquisition of subsidiaries.

Information about a major customer

During the year, there was no external customer accounted for 10% or more of the Group's total revenue (2015: Nil).

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as following:

	2016	2015
	HK$'000	*HK$'000*
Other income		
Bank interest income	**298**	245
Service income	**223**	804
Other investment income	**2,123**	–
Gross rental income	**1,927**	–
Others	**670**	230
	5,241	1,279
Gains		
Recovery of impairment of investment properties	**2,307**	–
Write-back of trade payable*	**10,226**	–
	12,533	1,279
	17,774	1,279

* The gain was resulted from waiver of trade payable by one of the Group's suppliers in logistics business.

6. LOSS BEFORE TAX

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

	2016	2015
	HK$'000	*HK$'000*
Cost of inventories sold	**8,065**	–
Cost of services provided	**65,865**	441,897
Depreciation	**4,223**	3,128
Amortisation of intangible assets	**–**	447
Minimum lease payments under operating leases	**5,530**	8,736
Auditor's remuneration	**2,344**	2,466
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages and salaries	**19,793**	41,599
Equity-settled share option expense	**7,978**	–
Pension scheme contributions**	**2,703**	3,419
	30,474	45,018
Foreign exchange differences, net*	**1,039**	4,724
Impairment on goodwill*	**–**	630
Impairment of items of property, plant and equipment*	**2,028**	829
Impairment of intangible assets*	**–**	1,429
(Recovery of impairment)/impairment of investment properties	**(2,307)**	9,492
Impairment of trade receivables*	**816**	3,238
Loss on disposal of available-for-sale financial assets*	**4,415**	–
Write-off of other current assets*	**2,440**	–
Loss on disposal of items of property, plant and equipment*	**99**	703
Loss on disposal of subsidiaries*	**1,908**	–

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

** At 31 December 2016, the Group had no forfeited contributions available to reduce its contributions to the pension scheme(s) in future years (2015: Nil).

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits during the year.

Macau complementary tax is levied at progressive rates ranging from 3% to 9% on the taxable income above MOP32,000 (equivalent to approximately HK$31,000) but below MOP300,000 (equivalent to approximately HK$292,000), and thereafter at a fixed rate of 12%. For the years ended 31 December 2016 and 2015, a special complementary tax incentive is provided to the effect that tax free income threshold was increased from MOP32,000 to MOP600,000 (equivalent to approximately HK$31,000 to HK$584,000).

Taxation outside Hong Kong and Macau has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2016	2015
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**211**	927
Underprovision in prior years	**–**	2
Current – Macau		
Charge for the year	**1,214**	134
Current – Elsewhere		
Charge for the year	**–**	1,432
Deferred	**180**	737
Total tax charge for the year	**1,605**	3,232

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,041,282,049 (2015: 811,884,658) in issue during the year.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2016 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2015.

9. TRADE RECVIABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**8,484**	74,729
Impairment	**(1,832)**	(3,238)
	6,652	71,491

The Group's sales are mainly made on (i) cash on delivery; or (ii) credit terms of 30 to 60 days. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2016	2015
	HK$'000	*HK$'000*
Within 1 month	**5,212**	39,735
1 to 2 months	**577**	21,678
2 to 3 months	**201**	7,540
Over 3 months	**662**	2,538
	6,652	71,491

10. TRADE AND BILLS PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade and bills payables	**8,202**	66,063

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

	2016	2015
	HK$'000	*HK$'000*
Within 1 month	**5,591**	30,379
1 to 2 months	**424**	7,442
2 to 3 months	**232**	2,572
Over 3 months	**1,955**	25,670
	8,202	66,063

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 60 days upon receipts of suppliers's invoices.

11. SHARE CAPITAL

Shares

	2016	2015
	HK$'000	*HK$'000*
Authorised:		
4,000,000,000 (2015: 4,000,000,000) ordinary shares of HK$0.005 each	**20,000**	20,000
Issued and fully paid:		
1,168,230,000 (2015: 937,860,000) ordinary shares of HK$0.005 each	**5,841**	4,689

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

	Number of shares in issue	Share capital *HK$'000*
At 1 January 2015	806,860,000	4,034
Issue of shares	131,000,000	655
At 31 December 2015 and 1 January 2016	937,860,000	4,689
Issue of shares	230,370,000	1,152
At 31 December 2016	1,168,230,000	5,841

12. COMPARATIVE AMOUNTS

Certain items in the consolidated financial statements have been reclassified to conform with the current year's presentation to facilitate comparison.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group was listed on 16 January 2012 with business focus on the provision of air freight service in the wholesale market. Due to keen competition and rising costs on operations, the Group diversified into China's sports and entertainment related business. The Group believes that sports and entertainment industry is promising in China as national policy support and the hosting of major events such as Beijing Winter Olympic Games will drive the development of the related industries.

During the year ended 31 December 2016, the Group achieved approximately HK$82.5 million in revenue, representing a significant decrease of approximately 83.8% from that of approximately HK$510.8 million during the same period of last year. Gross profit was approximately HK$8.6 million, comparing to the gross profit of approximately HK$68.9 million during the corresponding period of last year. The overall gross profit ratio decreased approximately 13.5% to approximately 10.4%. Loss for the year attributable to equity holders of the Company was approximately HK$48.3 million as compared to approximately HK$40.6 million in the year end 31 December 2015. Basic loss per share of the Company was approximately HK4.6 cents during the year. As at 31 December 2016, the balance of cash and cash equivalents was approximately HK$306.4 million (31 December 2015: approximately HK$51.0 million).

During the year ended 31 December 2016, the Group has implemented cost control measures aiming to reduce staff costs and office rental and related expenses. Number of employees was reduced from 105 as at 31 December 2015 to 70 as at 31 December 2016. However, weak cargo demand and over-capacity in the air cargo market continues to put downward pressure on yield performance.

Notwithstanding the failure to comply with some of the restrictive financial covenant requirements of certain banking facilities as disclosed in the annual report of the Company for the year ended 31 December 2015, the Group had repaid its facility in 2016. As at the date of this announcement, the Group does not maintain any banking facility with any bank in Hong Kong and the People's Republic of China (the "**PRC**").

The Board does not recommend the payment of any final dividend for the year ended 31 December 2016 (2015: Nil per Share).

In the opinion of the Director, the Group will have sufficient financial resources to finance its operations in the coming twelve months from the date of the balance sheet.

TERMINATION OF THE SALE AND PURCHASE AGREEMENT

On 23 September 2015, the Company, Vision Finance Group Limited and Mr. Zhang Chengliang (the "**Vendors**") entered into the sale and purchase agreement (the "**S&P Agreement**"), pursuant to which the Company had conditionally agreed to purchase, and the Vendors had conditionally agreed to sell the 5,000,000 shares in Vision Finance Asset Management Limited (the "**Vision Finance**"), representing the entire issued share capital of Vision Finance at a total cash consideration of HK$7,000,000. The Directors were of the view that the acquisition could diversify the business of the Group with the objective of broadening its sources of income.

On 7 January 2016, after careful consideration of all the circumstances such as the volatility of the capital market, the Company and the Vendors entered into a termination agreement to terminate the S&P Agreement.

References should be made to the announcements of the Company dated 23 September 2015 and 7 January 2016 for the details of the S&P Agreement.

The Board considered that the termination of the S&P Agreement would not have any material adverse impact on the financial position and operation of the Group.

SIGNIFICANT INVESTMENT HELD AND AFFILIATED COMPANIES

Memorandum of Understanding in Relation to a Proposed Acquisition

On 9 March 2016, Beijing Sports Industry Group Limited ("**Beijing Sports**"), an indirect non-wholly owned subsidiary of the Company at the date of the transaction, entered into a memorandum of understanding (the "**MOU**") with two independent third parties, to acquire 55% of equity interests in Beijing Si Bo You Sports Technology Company Limited.* The preliminary consideration for the intended acquisition is RMB22 million and is expected to be settled by Beijing Sports in cash. The MOU is not legally binding and had been expired on 8 September 2016.

References should be made to the announcements of the Company dated 9 March 2016 and 8 September 2016 for the details of the MOU.

Formation of subsidiaries

On 2 June 2016, Zhong Hu Sports Culture Development (Beijing) Limited* ("**Zhong Hu Sports**"), an indirect wholly owned subsidiary of the Company at the date of the transaction, entered into an agreement with Beijing Dingfeng Ronghe Investment Management Limited* ("**Beijing Dingfeng**") in respect of the formation of the company Zhong Hu Dingfeng Sports Development (Beijing) Limited* ("**Zhong Hu Dingfeng**") which is principally engaged in the development, construction, investment and operation of air dome for sport stadium and recreation facilities in the PRC. Under the agreement, the parties agreed that, Zhong Hu Dingfeng shall be established and shall be held as to 60% by Zhong Hu Sports and 40% by Beijing Dingfeng. Zhong Hu Dingfeng shall have a registered capital of RMB5,000,000 (equivalent to approximately HK$5,990,000), which shall be contributed by Zhong Hu Sports and Beijing Dingfeng as to RMB3,000,000 in cash (equivalent to approximately HK$3,594,000) and RMB2,000,000 in cash (equivalent to approximately HK$2,396,000), respectively.

Pursuant to the agreement, Zhong Hu Dingfeng was established on 15 August 2016.

On 29 July 2016, Zhong Hu Yuedong Culture Media (Beijing) Limited* ("**Zhong Hu Yuedong**"), an indirect wholly owned subsidiary of the Company, entered into the agreement with Beijing Zhongying Shengjia Cinema Development Limited* ("**Beijing Zhongying**") in respect of the formation of the company Beijing Zhong Hu Shengjia Culture Development Limited* ("**Zhong Hu Shengjia**") which is principally engaged in the operation of movie theatres in the third and fourth tier cities in the PRC. Under the agreement, the parties agreed that, Zhong Hu Shengjia shall be established and shall be held as to 65% by Zhong Hu Yuedong and 35% by Beijing Zhongying. Zhong Hu Shengjia shall have a registered capital of RMB20,000,000 (equivalent to approximately HK$23,200,000), which shall be contributed by Zhong Hu Yuedong and Beijing Zhongying as to RMB13,000,000 in cash (equivalent to approximately HK$15,080,000) and RMB7,000,000 in cash (equivalent to approximately HK$8,120,000) respectively.

Pursuant to the agreement, Zhong Hu Shengjia was established on 22 July 2016.

References should be made to the announcements of the Company dated 2 June 2016 and 29 July 2016 for the details of the Zhong Hu Dingfeng and Zhong Hu Shengjia, respectively.

Save as disclosed above, the Group did not make any other significant investment during the year under review.

* *For identification purpose only*

CAPITAL STRUCTURE

Subscription of new Shares under general mandate

On 5 February 2016, the Company and About Capital Management (HK) Co., Limited (the "**Subscriber**") entered into the subscription agreement pursuant which the Company had conditionally agreed to allot and issue, and the Subscriber had conditionally agreed to subscript for 30,370,000 Shares at the subscription price of HK$0.65 per Share (the "**Subscription**"). The Subscription was completed on 25 February 2016. A total of 30,370,000 Subscription Shares were allotted and issued on 25 February 2016 with a net proceeds of approximately HK$19,680,000 was received by the Company on the same date.

References should be made to the announcements of the Company dated 5 February 2016 and 25 February 2016 for the details of the Subscription.

Placing of new Shares under specific mandate

On 8 June 2016, the Company and Vision Finance International Company Limited (the "**Placing Agent**") entered into the placing agreement, pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, 200,000,000 placing Shares. ("**Placing**") The Placing Shares are expected to be placed by the Placing Agent to not less than six placees, who and whose ultimate beneficial owner(s) (if applicable) shall be independent third parties, at a price of HK$0.7 per Placing Share.

The Placing Agent is held indirectly as to 36.75% by the spouse of Mr. Hu Yebi, the executive Director and a shareholder of the Company ("**Shareholder**") holding approximately 9.57% of existing issued share capital of the Company and as such, the Placing Agent is an associate of Mr. Hu Yebi and is a connected person of the Company. Accordingly, the payment of the placing commission to the Placing Agent constitutes a connected transaction of the Company under the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange. Since the applicable percentage ratio (other than the profits ratio) set out in Rule 14A.76(2) of the Listing Rules in respect of the commission payable to the Placing Agent in the amount of HK$3.5 million is less than 5%, the payment of the placing commission to the Placing Agent constitutes an exempt connected transaction and is exempt from the circular (including independent financial advice) and Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. Further, each of Mr. Liu Xueheng (being the Chairman, Chief Executive Officer and executive Director) and Mr. Niu Zhongjie (being the executive Director and a Shareholder holding approximately 4.94% of the existing issued share capital of the Company) holds a 5.25% equity interest in the Placing Agent, respectively. Mr. Hu Yebi, Mr. Liu Xueheng and Mr. Niu Zhongjie have abstained and are required to abstain from voting in respect of the proposed resolutions for approving the placing agreement and the transaction contemplated thereunder at the Board meeting.

The Placing was completed on 15 August 2016. A total of 200,000,000 Placing Shares were allotted and issued on 15 August 2016 with a net proceeds of HK$136,500,000 was received by the Company on the same date.

References should be made to the announcements of the Company dated 8 June 2016, 7 July 2016 and 15 August 2016; and the circular dated 7 July 2016 for the details of the Placing.

SHAREHOLDER’S LOANS

In order to strengthen the liquidity of the Group, the Company (the “**Borrower**”) entered into two Shareholder’s loan agreements with Hollyview International Limited (the “**Lender**”), a substantial shareholder of the Company, on 10 November 2015 (the “**Hollyview Loan Agreement**”) and 24 November 2015 (the “**Hollyview Facility Agreement**”) (together the “**First Shareholder’s Loan Agreement**”).

Pursuant to the Hollyview Loan Agreement, the Lender agreed to lend HK$5,000,000 to the Borrower at the interest rate of 2.5% per annum which was determined after arm’s length negotiations between the parties by reference to the then prevailing bank lending interest rate. The Hollyview Loan Agreement was due on the second anniversary of the Hollyview Loan Agreement if not paid earlier. The Lender could request the Borrower to pay the loan amount and accrued interest on demand.

Pursuant to the Hollyview Facility Agreement, the Lender agreed to lend to the Borrower from time to time such amount or amounts, not to exceed an aggregate outstanding principal amount of HK$30,000,000 at any time, as it may have required to meet its day-to-day operational expenses and working capital needs at the interest rate of 2.5% per annum which was determined after arm’s length negotiations between the parties by reference to the then prevailing bank lending interest rate. The loan under the Hollyview Facility Agreement was due on the second anniversary of the Hollyview Facility Agreement if not paid earlier. The Lender could request the Borrower to pay the loan amount and accrued interest on demand.

The loans of HK$35,000,000 pursuant to the First Shareholder’s Loan Agreements were fully repaid in August 2016 by the Borrower to the Lender.

On 16 December 2016, the Borrower entered into a new shareholder’s loan agreement with the Lender for HK$175,000,000 at the interest rate of 3.0% per annum (the “**Second Shareholder’s Loan Agreement**”) which was determined after arm’s length negotiations between the parties by reference to the then prevailing bank lending interest rate.

As the Borrower was the substantial shareholder of the Company, the loans under the Second Shareholder's Loan Agreement constituted connected transactions in the form of financial assistance in favour of the Group. However, as the loans under the Second Shareholder's Loan Agreement were not secured by any assets of the Group, and were provided on normal commercial terms, the loan was fully-exempted from Shareholders' approval, annual review and all disclosure requirements under the Chapter 14A of the Listing Rules pursuant to Rule 14A.90.

EVENT AFTER THE REPORTING PERIOD

Discloseable Transaction in relation to the Capital Injection into Metaspace (Beijing) Air Dome Corp.

On 16 January 2017, the Company announced that Zhong Hu Sports Culture Development (Beijing) Limited*, an indirect non-wholly owned subsidiary of the Company, entered into the agreement with MetaSpace (Beijing) Air Dome Corp.* (the "**Target Company**") in relation to the capital injection into the Target Company (the "**Metaspace Agreement**").

The Target Company is a company incorporated in the PRC with limited liability and is listed in the National Equities Exchange and Quotations Company ("**NEEQC**") in 2014, also known as the "**Third Board**").

Pursuant to the Metaspace Agreement, the Company shall inject a sum of RMB140,000,000 (equivalent to HK$156,800,000) in cash into the Target Company by subscription of new ordinary shares issued by the Target Company. Thereafter, the Target Company will become an indirect non-wholly owned subsidiary of the Group; and will be consolidated in the consolidated financial statements of the Group.

Since certain of the applicable percentage ratios of the Metaspace Agreement exceed 5% but are less than 25%, the Metaspace Agreement constitutes a discloseable transaction for the Company for the purposes of, and are subject to the reporting and announcement requirements under the Chapter 14 of the Listing Rules.

References should be made to the announcements of the Company dated 17 January 2017 for the details of the Metaspace Agreement.

* *For identification purpose only*

PROSPECT

In view of the challenging economic and business environment, the management of the Group continued to review its existing businesses from time to time and strived to improve the business operation and financial position of the Group.

In this regards, on 16 January 2017, the Group announced the proposed capital injection into MetaSpace (Beijing) Air Dome Corp., a company listed on the NEEQC in 2014. Upon completion of this investment, this subsidiary will generate stable and continuous income and cash flow to the Group.

It has been the business strategy of the Group to proactively seek potential investment opportunities in order to enhance value of the Shareholders. The Directors consider that it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify its existing business portfolio into new line of business with growth potential and to broaden its source of income.

FINANCIAL HIGHLIGHTS

Revenue

For the year under review, the Group achieved approximately HK$82.5 million in revenue, representing a significant decrease of approximately 83.8% from that of approximately HK$510.8 million during the same period of last year. The huge drop in revenue was mainly attributable to the weak air cargo demand and over-capacity in the air cargo market.

Gross Profit

For the year ended 31 December 2016, overall gross profit of the Group amounted to approximately HK$8.6 million (2015: approximately HK$68.9 million). The substantial decrease in the Group's gross profit of approximately 87.5% when compared with the same period last year was mainly due to the decrease in yield attributable to the pressure of overcapacity in the air cargo markets.

Administrative Expenses

For the year ended 31 December 2016, the Group's administrative expenses amounted to approximately HK$58.1 million (2015: approximately HK$79.4 million), representing a decrease of approximately 26.8% when compared with the same period last year, which accounted for approximately 70.4% of the Group's turnover (2015: approximately 15.5%). The decrease in administrative expenses is not in line with the decrease in revenue for the year ended 31 December 2016 because there are one-off expenses such as the share-based payment expenses; and the pre-operating expenses and costs incurred for the development of a series of the sports and entertainment businesses in the PRC which were not available in the same period last year.

Liquidity, Financial Resources and Gearing Ratio

As at 31 December 2016, cash and cash equivalents amounted to approximately HK$306.4 million which represents a net increase of approximately HK$255.4 million as compared with the position as at 31 December 2015. The substantial increase in cash and cash equivalents is mainly due to the injection of Shareholder's loan of HK$175 million and the Placing of new shares under specific mandate for HK$137 million as set out in the sections with headings "**Shareholder's Loans**" and "**Placing of new Shares under specific mandate**" of this announcement respectively.

As at 31 December 2016, the Group does not have any outstanding bank borrowings (2015: approximately HK$25.1 million). The gearing ratio (which is calculated by dividing total bank borrowings by total assets) was nil (2015: approximately 0.102). During the years ended 31 December 2015 and 2016, the Group did not hedge its exposure to interest rate risk.

As at 31 December 2016, the Group had current assets of approximately HK$337.3 million (2015: approximately HK$139.6 million) and current liabilities of approximately HK$212.8 million (2015: approximately HK$135.6 million). The current ratio (which is calculated by dividing current assets by current liabilities) was approximately 1.59 (2015: approximately 1.03).

Capital Expenditure

The Group's capital expenditure was approximately HK$15,052,000 (2015: approximately HK$2,807,000), representing the purchase of leasehold improvement, office equipment, and furniture and fixtures of the Group during the year under review.

Contingent Liabilities and Guarantees

As at 31 December 2016, the Group had no material contingent liability or guarantee (2015: approximately HK$31.7 million).

Contractual and Commitments

As at 31 December 2016, the Group had operating leases commitments of approximately HK$115.8 million (2015: approximately HK$8.2 million).

Foreign Currency Exposure

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, recognized assets and liabilities. During the year under review, 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.

Charge on Group Assets

As at 31 December 2016, the Group does not pledge any of its assets to secure any banking facilities granted to the Group (2015: approximately HK$19,993,000).

LITIGATIONS

As at 31 December 2016, the Group had no pending litigation.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group had 70 full-time employees (2015: 105) in Hong Kong and the PRC. The Group reviews remuneration and benefits of its employees annually according to the relevant market practice and individual performance of the employees.

The emolument of each of the Directors and the employees of the Group is on the basis of their merit, qualification, competence and experience in the industry, the profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

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.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The general meetings of the Company provide a forum for communication between the Board and the Shareholders. They provide an opportunity for Shareholders to better understand the Group's operation, financial performance, business strategies and outlook. The chairman of the Board as well as chairmen of the nomination committee, remuneration committee and audit committee or, in their absence, other members of the respective committees are available to answer questions at Shareholder meetings. To promote effective communication, the Company maintains a website at www.bsehk.com, where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are posted. The Board, according to the Listing Rules, will conduct voting at the forthcoming AGM by poll. The results of the Company voting will be announced on the Company's website and the website of the Stock Exchange.

CODE ON CORPORATE GOVERANCE PRACTICES

Beijing Sports and Entertainment Industry Group Limited (formerly known as "ASR Logistics Holdings Limited") is incorporated in the Cayman Islands and has its shares listing on the Stock Exchange on 16 January 2012 (the "**Listing Date**"). The corporate governance rules applicable to the Company is on Corporate Governance Code as set out in Appendix 14 to the Listing Rules. In the opinion of the Board, the Company has complied with the code provisions as set out in the Corporate Governance Code from the Listing Date until 31 March 2012 and with the revised Corporate Governance Code from 1 April 2012 until 31 December 2016 respectively, except for the deviations from code provisions A.2.1, A.6.7 and D.1.4 of the Corporate Governance Code as described below.

Code Provision A.2.1

According to the code provision A.2.1, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. During the year ended 31 December 2016, 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 A.6.7

Under Code Provision A.6.7, independent non-executive Directors and other non-executive Directors should attend general meetings to develop a balanced understanding of the views of Shareholders. During the year, not all independent non-executive Directors attended general meetings of the Company due to other business engagements, which have deviated from Code Provision A.6.7.

Code Provision D.1.4

Under the code provision D.1.4, the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. The Company did not sign formal letters of appointment with Mr. Hu Yebi, Mr. Niu Zhongjie, Mr. Lok Yuen Ming, Mr. Xin Luo Lin and Mr. Pan Lihui. However, the said Directors are subject to retirement by rotation at least once every three years in accordance with the Articles of Association. In addition, the said Directors are required to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors of the Company.

The Company reviews its corporate governance practices from time to time to ensure compliance Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules regarding securities transactions by Directors and senior management. After specific enquiry, all Directors of the Company confirmed that they have complied with the required standard of dealings set out in the Model Code since the listing of the Shares on 16 January 2012.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its Shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's Shares for the year ended 31 December 2016.

FINAL DIVIDEND

The Directors do not recommend the payment of dividend in respect of the year ended 31 December 2016 (2015: Nil).

AUDIT COMMITTEE

The Board has established an audit committee with written terms of reference in compliance with the Corporate Governance Code. As at the date of this announcement, the audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive directors of the Company, namely Mr. Lok Lawrence Yuen Ming, Mr. Xin Luo Lin and Mr. Pan Lihui.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2016.

THE ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2016 will be despatched to the shareholders of the Company and published on the websites of Hong Kong Exchange and Clearing Limited and the Company in due course.

APPRECIATION

The Board would like to express its sincere appreciation to the shareholders, customers, suppliers and staff for their continued support to the Group.

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

Hong Kong, 28 March 2017

As at the date of this announcement, the executive Directors are Mr. Liu Xue Heng, Mr. Hu Yebi, Mr. Niu Zhongjie, Mr. Zhu Shixing, Mr. Lam Ka Tak, Mr. Zhang Tingzhe and Mr. Tsui Ngai, Eddie 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.