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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 2017

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 2017, together with the comparative figures for the year 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2017

	Notes	2017 HK$'000	2016 HK$'000
REVENUE	4,5	**156,823**	82,518
Cost of sales		**(117,499)**	(73,930)
Gross profit		**39,324**	8,588
Other income and gains	5	**74,078**	15,866
Selling and distribution expenses		**(11,363)**	(1,768)
Administrative expenses		**(75,771)**	(58,059)
Other expenses		**(26,654)**	(14,272)
Finance costs		**(7,505)**	(868)
LOSS BEFORE TAX	6	**(7,891)**	(50,513)
Income tax expense	7	**(10,243)**	(1,605)
LOSS FOR THE YEAR		**(18,134)**	(52,118)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale financial assets:			
Changes in fair value		**(504)**	653
Reclassification adjustments for loss included in profit or loss – loss on disposal		**–**	2,157
Income tax effect		**83**	–
		(421)	2,810
Exchange differences:			
Exchange differences on translation of foreign operations		**2,078**	(2,244)
Reclassification adjustments for foreign operations disposed of during the year		**906**	225
		2,984	(2,019)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**2,563**	791

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
YEAR ENDED 31 DECEMBER 2017

	Notes	2017 HK$'000	2016 HK$'000
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**2,563**	791
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(15,571)**	(51,327)
Loss attributable to:			
– Owners of the parent		**(24,106)**	(48,264)
– Non-controlling interests		**5,972**	(3,854)
		(18,134)	(52,118)
Total comprehensive income/(loss) attributable to:			
– Owners of the parent		**(27,708)**	(46,611)
– Non-controlling interests		**12,137**	(4,716)
		(15,571)	(51,327)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		**HK$(2.04) cents**	HK$(4.6) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2017

	Notes	**2017**	2016
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**18,746**	17,617
Investment property		**18,667**	87,000
Goodwill		**29,138**	764
Other intangible assets		**33,596**	–
Prepayments, deposits and other receivables		**14,778**	9,794
Amounts due from contract customer		**11,590**	–
Trade and bills receivables	*9*	**5,376**	–
Available-for-sale financial assets		**108,166**	–
Deferred tax assets		**769**	–
Total non-current assets		**240,826**	115,175
CURRENT ASSETS			
Inventories		**3,430**	521
Amounts due from contract customer		**54,094**	–
Trade and bills receivables	*9*	**51,840**	6,652
Prepayments, deposits and other receivables		**43,422**	23,700
Available-for-sale financial assets		**122,717**	–
Cash and cash equivalents		**139,489**	306,398
Total current assets		**414,992**	337,271
CURRENT LIABILITIES			
Trade and bills payables	*10*	**32,246**	8,202
Other payables and accruals		**23,334**	25,798
Loans from shareholders		**–**	175,156
Tax payable		**11,165**	3,654
Total current liabilities		**66,745**	212,810
NET CURRENT ASSETS		**348,247**	124,461
TOTAL ASSETS LESS CURRENT LIABILITIES		**589,073**	239,636

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
31 DECEMBER 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT LIABILITIES			
Other payables		**600**	774
Deferred tax liabilities		**8,530**	233
Total non-current liabilities		**9,130**	1,007
Net assets		**579,943**	238,629
EQUITY			
Equity attributable to owners of the parent			
Share capital	*11*	**6,484**	5,841
Reserves		**443,222**	221,199
		449,706	227,040
Non-controlling interests		**130,237**	11,589
Total equity		**579,943**	238,629

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 2017. 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 revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interest in Other Entities: Clarification of the Scope of HKFRS 12*

The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosures has been made in the consolidated financial statements upon the adoption of amendments to HKAS 7.

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group has no subsidiary classified as a disposal group held for sale as at 31 December 2017.

4. OPERATING SEGMENT INFORMATION

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 providing air freight services in the wholesale market; and (b) sport and entertainment segment investing in air dome business and engaging in the construction and operating of air dome and other newly initiated businesses.

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, gain from disposal of subsidiaries, other investment income, gross rental income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Year ended 31 December 2017	**Logistics**	**Sport and entertainment**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Segment revenue			
Sales to external customers	**7,824**	**148,999**	**156,823**
Segment results	**4,969**	**(41,163)**	**(36,194)**
Reconciliation:			
Interest income			**479**
Gain from disposal of subsidiaries			**40,736**
Other investment income			**4,779**
Gross rental income			**1,706**
Corporate and unallocated expenses			**(11,892)**
Finance costs			**(7,505)**
Loss before tax			**(7,891)**
Other segment information:			
Impairment losses recognised in profit or loss	**16,289**	**9,403**	**25,692**
Depreciation and amortisation	**339**	**9,660**	**9,999**
Capital expenditure	**–**	**76,571**	**76,571**

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

Year ended 31 December 2016	Logistics	Sport and entertainment	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
Other investment income			2,123
Gross rental income			1,927
Corporate and unallocated expenses			(11,998)
Finance costs			(868)
Loss before tax			(50,513)
Other segment information:			
Impairment losses recognised in profit or loss	3,494	1,790	5,284
Depreciation and amortisation	1,774	2,449	4,223
Capital expenditure	–	15,052	15,052

Geographical information

During the year ended 31 December 2017 and 2016, the Group derived almost all of its revenue from its operating entities located in Mainland China, Hong Kong, Macau and Taiwan.

As at 31 December 2017, the Group's non-current assets were mainly located in Mainland China, while in year 2016, the Group's non-current assets were mainly located in Hong Kong.

Information about a major customer

During the year, there was no external customer from which the revenue accounted for 10% or more of the Group's total revenue (2016: Nil).

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services related during the year.

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**6,705**	8,338
Revenue of construction contracts	**138,829**	–
Rendering of services	**11,289**	74,180
	156,823	82,518

	2017	2016
	HK$'000	*HK$'000*
Other income		
Bank interest income	**479**	298
Service income	**–**	223
Investment income	**4,779**	2,123
Gross rental income	**1,706**	1,927
Others	**842**	670
	7,806	5,241
Gains		
Recovery of impairment of investment properties	**1,154**	2,307
Exchange gain	**11,737**	–
Gain on write-back of trade payables	**–**	10,226
Gain/(loss) on disposal of subsidiaries	**40,736**	(1,908)
Others	**12,645**	–
	66,272	10,625
	74,078	15,866

6. LOSS BEFORE TAX

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

	Notes	2017 HK$'000	2016 HK$'000
Cost of inventories sold		**6,195**	8,065
Cost of construction contracts		**94,288**	–
Cost of services provided		**9,423**	65,865
Depreciation		**2,599**	4,223
Amortisation of intangible assets		**7,400**	–
Minimum lease payments under operating leases		**10,409**	5,530
Auditor's remuneration		**2,756**	2,344
Employee benefit expenses (excluding directors' and chief executive's remuneration):			
Wages and salaries		**21,346**	19,793
Equity-settled share option expense		**6,643**	7,978
Pension scheme contributions		**5,923**	2,703
		33,912	30,474
Impairment of goodwill		**689**	–
Foreign exchange differences, net*		**(11,737)**	1,039
Impairment of items of property, plant and equipment*		**23**	2,028
Recovery of impairment of investment properties		**(1,154)**	(2,307)
Impairment of trade receivables*		**2,869**	816
Loss on disposal of available-for-sale financial assets*		**–**	4,415
Impairment of other receivables*		**22,111**	2,440
Loss on disposal of items of property, plant and equipment*		**1,068**	99
(Gain)/loss on disposal of subsidiaries*		**(40,736)**	1,908
Research and development costs		**6,391**	–

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

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits during the year.

The Group's operations in Mainland China are subject to PRC corporate income tax. The standard PRC corporate income tax rate is 25%, except for one PRC subsidiary which is entitled to a preferential tax rate at 15%.

Macau complementary tax is levied at progressive rates ranging from 3% to 9% on the taxable income above MOP32,000 (equivalent to approximately HK$31,100) but below MOP300,000 (equivalent to approximately HK$292,000), and at a fixed rate of 12% on the taxable income above MOP300,000. For the years ended 31 December 2017 and 2016, a special complementary tax incentive was provided to the effect that tax free income threshold was increased from MOP32,000 to MOP600,000 (equivalent to approximately HK$31,100 to HK$584,000).

	2017	2016
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**7,848**	211
Current – Mainland China		
Charge for the year	**4,969**	–
Current – Others		
Charge for the year	**27**	1,214
Deferred	**(2,601)**	180
Total tax charge for the year	**10,243**	1,605

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 1,183,011,597 (2016: 1,041,282,049) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2017 and 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 amounts presented.

9. TRADE AND BILLS RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade and bills receivables	**61,810**	8,484
Impairment	**(4,594)**	(1,832)
	57,216	6,652
Non-current	**5,376**	–
Current	**51,840**	6,652
	57,216	6,652

The Group's sales are mainly made on (i) cash on delivery; (ii) credit terms of 30 to 90 days; and (iii) the terms of the respective construction contracts. The carrying amounts of trade and bills receivables approximated their fair values. The maximum exposure to credit risk as at the end of the reporting period is the fair values of the trade and bills receivables.

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

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**9,070**	5,212
1 to 2 months	**3,279**	577
2 to 3 months	**8,972**	201
Over 3 months	**35,895**	662
	57,216	6,652

The age analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**360**	5,212
Within 1 month past due	**45,302**	577
1 to 2 months past due	**293**	201
2 to 3 months past due	**2,052**	423
Over 3 months past due	**9,209**	239
	57,216	6,652

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

10. TRADE AND BILLS PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**17,056**	5,591
1 to 2 months	**3,323**	424
2 to 3 months	**1,192**	232
Over 3 months	**10,675**	1,955
	32,246	8,202

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

11. SHARE CAPITAL

Shares

	2017	2016
	HK$'000	*HK$'000*
Authorised:		
4,000,000,000 (2016: 4,000,000,000) ordinary shares of HK$0.005 each	**20,000**	20,000
Issued and fully paid:		
1,296,792,900 (2016: 1,168,230,000) ordinary shares of HK$0.005 each	**6,484**	5,841

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 2016	937,860,000	4,689
Issue of shares	230,370,000	1,152
At 31 December 2016 and 1 January 2017	1,168,230,000	5,841
Issue of shares *(Note (a))*	122,000,000	610
Share options exercised *(Note (b))*	6,562,900	33
	128,562,900	643
At 31 December 2017	1,296,792,900	6,484

Notes:

(a) The Company and Beijing Enterprises Medical and Health Industry Group Limited (the "Subscriber") entered into the subscription agreement pursuant to which the Company had agreed to allot and issue, and the Subscriber had agreed to subscript for 122,000,000 shares at the subscription price of HK$1.88 per share. The net proceeds received from the subscription of shares were approximately HK$227,720,006, after deducting relevant expenses of HK$1,030,000, and the net subscription price was HK$1.867 per placing share. The nominal value of these shares of HK$610,000 was credited to share capital and the balance of HK$$227,720,006 was credited to share premium.

(b) The Company issued ordinary shares pursuant to the exercise of share options by a director and the employees of the Company at an exercise price of HK$0.764 per share. A total of 6,562,900 shares were issued with a net proceeds of approximately HK$5,014,056 received by the Company, of which HK$4,981,241 was credited to share premium, and HK$32,815 was credited to share capital.

12. BUSINESS COMBINATION

On 18 April 2017, the Group through an indirectly 80% owned subsidiary, acquired 51.66% equity interest (group the Group's effective equity interest of 41.33%) of MetaSpace (Beijing) Air Dome Corp., a company listed in the National Equities Exchange and Quotations of PRC and principally engaged in providing various solutions to air dome structures. The purchase consideration for the acquisition was in the form of cash of RMB140,000,000 (equivalent to HK$158,130,000) through subscribing 35,000,000 new ordinary shares of MetaSpace (Beijing) Air Dome Corp. at the price of RMB4 per ordinary share.

The Group has elected to measure the non-controlling interest in MetaSpace (Beijing) Air Dome Corp. at fair value.

The fair values of the identifiable assets and liabilities of the subsidiary acquired during the year as at the date of acquisition are set out as follows:

	Fair value recognised on acquisition
	HK$'000
Property, plant and equipment	3,515
Intangible assets	40,978
Deferred tax assets	701
Inventories	15,140
Amounts due from contract customer	4,477
Trade receivables	38,109
Prepayments, deposits and other receivables	2,796
Cash and bank balances	166,912
Trade payables	(13,004)
Other payables and accruals	(5,892)
Current income tax	(371)
Deferred tax liabilities	(10,166)
Bank borrowings	(3,389)
Total identifiable net assets at fair value	239,806
Non-controlling interests	(110,814)
Goodwill on acquisition	29,138
Satisfied by cash	158,130

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$38,109,000 and HK$1,376,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$39,550,000 and HK$1,376,000, respectively, of which trade receivables of HK$1,441,000 are expected to be uncollectible.

The Group incurred transaction costs of HK$476,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss and other comprehensive income.

An analysis of cash flow in respect of the acquisitions is as follows:

	HK$'000
Cash consideration	(158,130)
Cash and bank balances acquired	166,912
Net inflow of cash and cash equivalents included in cash flows from investing activities	8,782
Transaction costs of the acquisition included in cash flows from operating activities	(476)
	8,306

Since the acquisition, MetaSpace (Beijing) Air Dome Corp. contributed HK$137,098,000 to the Group's revenue and HK$14,315,000 to the consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been HK$158,697,000 and HK$22,692,000, respectively.

13. DISPOSAL OF SUBSIDIARIES

	2017
	HK$'000
Net assets disposed of:	
Property, Plant and equipment	12,024
Investment properties	87,000
Goodwill	75
Prepayments and other receivables	107,550
Inventories	90
Trade receivables	700
Cash and bank balances	8,761
Trade payables	(3,220)
Accruals and other payables	(99,371)
Current income tax	(53)
Financial lease	(774)
Bank borrowings	(3,904)
Non-controlling interests	(6,622)
Total	102,256
Exchange reserves	906
Gain on disposal of subsidiaries	40,736
	143,898
Satisfied by:	
Cash	143,898

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2017
	HK$'000
Cash consideration	143,898
Less: cash consideration not received by year end	(22,161)
Cash and bank balances disposed of	(8,761)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	112,976

14. 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

BUSINESS REVIEW AND OUTLOOK

Sports and Entertainment Business

Since the promulgation of the Opinion on Accelerating the Development of the Sports Industry and Promoting Sports Consumption (the "**Document No. 46**") by the State Council of China in late 2014, the future development of sports industry in China has become a national strategy. As stipulated in Document No. 46, by 2025, the total value of China's sports industry is targeted to reach RMB5 trillion, with a population of as many as 500 million who regularly participate in sports. Provincial and municipal authorities in China have issued their respective implementation regulations and policies to ensure the sports industry to grow as rapidly as targeted in the Document No. 46 in the coming decade.

Moreover, other than further boosts for popular sports like running, fitness and football, some niche segments which used to enjoy little market awareness were also on the rise in 2016. As Beijing and Zhangjiakou won the bid to jointly host the 2022 Winter Olympics, winter sports are gaining popularity and have found its way into the sporting life of Chinese residents. According to "Development Plans for Winter Sports (2016–2025)"(《冰雪運動發展規劃(2016－2025年)》) published by the General Administration of Sport of China, the domestic winter sports industry is targeted to reach a scale of RMB600 billion by 2020, and RMB1 trillion by 2025, which underlines the huge commercial potential therein. However, relevant industries in the domestic scene are still in the early stage of development and require further policy and capital support in order to reach its potential and meet the target.

We believe our business which specializes in air domes, world-class real ice rack, and the ancillary facilities, is well positioned to benefit from the anticipated surge in interest in winter sports. Looking ahead, the Group will continue our expansion strategy on sports and entertainment business. Our high caliber team in different regions will keep analyzing potential sites, acquisition targets and cooperation opportunities in the market. The Group believes sports industry is promising in China as national policy support and the hosting of large sports events like Beijing Winter Olympic Games in 2022 will drive the development of related industries.

Logistics Business

During the year under review, the demand for air-cargo services continued to decrease and such drop was in line with the slowdown in global market development, especially in Europe and South America leading to the decrease in exports in the People's Republic of China (the "**PRC**"). The keen competition in the freight forwarding market and the oversupply in air/sea cargo space also led to a drop in selling rate resulted in a reduction in the Group's revenue during the year under review.

Despite the economic slowdown in Europe and South America markets leading to the decrease in exports in China for the year under review, the global demand for logistics and freight forwarding services and warehouse and logistics business, brought about by the e-commerce business and the improvement in the United States and Europe's business environment, are expected to remain healthy in the medium to long term.

The Board does not recommend the payment of any final dividend to the shareholders of the Company ("**Shareholder(s)**") for the year ended 31 December 2017 (2016: Nil).

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.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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 at the date of the transaction, entered into an 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 on the National Equities Exchange and Quotations Company ("**NEEQC**", also known as the "**Third Board**") in 2014.

* *For identification purpose only*

Pursuant to the MetaSpace Agreement, the Company shall inject a sum of RMB140 million (equivalent to approximately HK$156.8 million) 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, Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The MetaSpace Agreement was subsequently completed on 18 April 2017.

References should be made to the announcements of the Company dated 17 January 2017 and 18 April 2017 for the details of the MetaSpace Agreement.

Acquisition of The Remaining 40% Shareholding of Zhong Hu Dingfeng

On 17 January 2017, Zhong Hu Sports Culture Development (Beijing) Limited* ("**Zhong Hu Sports**") and Beijing Dingfeng Ronghe Investment Management Limited* ("**Beijing Dingfeng**") entered into a share transfer agreement pursuant to which Zhong Hu Sports had agreed to purchase and Beijing Dingfeng had agreed to sell 40% shareholding interest in Zhong Hu Dingfeng at the consideration of RMB2 million. Upon completion of the share transfer agreement, Zhong Hu Dingfeng will become an indirect wholly owned subsidiary of the Group.

Pursuant to the Listing Rules, this acquisition contemplated under the share transfer agreement is exempt from the requirements of Chapter 14 of the Listing Rules as all applicable percentage ratios under Rule 14.07 are below 5%.

The share transfer agreement was subsequently completed in February 2017.

* *For identification purpose only*

Discloseable and Connected Transaction in Relation to Termination of the Joint Venture involving the Disposal of Joint Venture and the Joint Venture Subsidiary

On 7 April 2017, Zhong Hu Yuedong Culture Media (Beijing) Limited* ("**Zhong Hu Yuedong**"), an indirect wholly-owned subsidiary of the Company, Beijing Zhongying Shengjia Cinema Development Limited* ("**Beijing Zhongying**") and Beijing Zhong Hu Shengjia Culture Development Limited* ("**Beijing Zhong Hu Shengjia**") entered into the share transfer agreement, pursuant to which Zhong Hu Yuedong has agreed to sell and Beijing Zhongying has agreed to repurchase 65% shareholding interest in the Beijing Zhong Hu Shengjia and Beijing Zhong Hu Tianjie Cinema Management Limited* ("**Beijing Zhong Hu Tianjie**") (collectively, the "**Disposed Companies**")at the consideration of RMB13 million.

Further, on 7 April 2017, upon signing of the share transfer agreement, Beijing Zhong Hu Shengjia executed the share pledge agreement in favour of Zhong Hu Yuedong, pursuant to which Beijing Zhong Hu Shengjia shall pledge its 100% shareholding interest in Beijing Zhong Hu Tianjie to Zhong Hu Yuedong to guarantee, among other things, the performance of all obligations of Beijing Zhongying under the share transfer agreement.

As one or more of the applicable percentage ratios set out in the Listing Rules in respect of the disposal exceed 5% but all of them are less than 25%, the disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Disposed Companies are owned as to 65% by the Company and as to 35% by Beijing Zhongying, thus Beijing Zhongying is a substantial shareholder of the subsidiaries of the Company under the Listing Rules and accordingly, a connected person of the Company at the subsidiary level. Accordingly, the Disposal constitutes a connected transaction of the Company. The Board of the Company (including the independent non-executive Directors) has approved the disposal under the share transfer agreement and the transactions contemplated thereunder and the Directors (including the independent non-executive Directors) have confirmed that the share transfer agreement has been made on normal commercial terms, its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Pursuant to Rule 14A.101 of the Listing Rules, the disposal contemplated under the share transfer agreement will constitute a connected transaction only subject to the reporting and announcement requirements, but exempt from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

* *For identification purpose only*

References should be made to the announcement of the Company dated 7 April 2017 for the details of the share transfer agreement and the share pledge agreement.

Discloseable Transaction in Relation to Capital Injection into Zhonghu Haizhou (Shenzhen) Business Equipment Co., Limited*

On 22 June 2017, the Company announced that Beijing Sports Everwise Investments Limited ("**BJ Sports Everwise**"), an indirect wholly owned subsidiary of the Company entered into an agreement with the Zhonghu Haizhou (Shenzhen) Business Equipment Co., Limited* (the "**Zhonghu Haizhou**") in relation to the capital injection into the Zhonghu Haizhou (the "**Zhonghu Agreement**").

Zhonghu Haizhou is a company incorporated on 9 June 2017 in the PRC with limited liability and will be engaged in building world-class real ice rank, indoor ski and ancillary facilities in the PRC.

Pursuant to the Zhonghu Agreement, BJ Sports Everwise shall inject a sum of RMB63,750,000 (equivalent to approximately HK$73,121,250) in cash into the Zhonghu Haizhou. Thereafter, Zhonghu Haizhou will become an indirect non-wholly owned subsidiary of the Group and will be consolidated in the consolidated financial statement of the Group.

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

Reference should be made to the announcement of the Company dated 22 June 2017 for the details of the Zhonghu Agreement.

* *For identification purpose only*

Discloseable Transaction in Relation to The Disposal of a Wholly-Owned Subsidiary Together with Its Shareholder's Loan

On 28 June 2017, the Company entered into the provisional agreement for sale and purchase, pursuant to which the Company had agreed to sell to an independent third party the entire issued share capital of the Lucky Outset Investments Limited ("**Lucky Outset**"), a direct wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability together with the shareholder's Loan at the consideration of HK$120,536,000 (the "**Disposal**"). The sole asset of the Lucky Outset is the 100% equity interest in Nobletree Limited, a wholly-owned subsidiary of the Lucky Outset and a company incorporated in Hong Kong with limited liability, which holds office premises situate at Office Units 1110-11, 11th Floor, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong. Upon completion, Lucky Outset will cease to be a subsidiary of the Company.

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

The Disposal was subsequently completed on 30 August 2017.

References should be made to the announcements of the Company dated 28 June 2017 and 30 August 2017 for the details of the Disposal.

Formation of a Subsidiary

On 28 October 2017, Zhong Hu Dingfeng Sports Development (Beijing) Limited* ("**Zhong Hu Dingfeng**"), an indirect wholly owned subsidiary of the Company, entered into an agreement with Jiangxi Luyang Sports Industry Development Co., Limited* ("**Jiangxi Luyang**") in respect of the formation of the company Jiangxi Zhonghu Luyang Sports Industry Development Limited* ("**Jiangxi Zhonghu**") which is principally engaged in the development and operation of air dome of sport stadium in the north of gandhi dyke scenic spot with shengmi bridge to sanzhi logistics section basketball field, Nanchang, Jiangxi Province（江西省南昌市贛東大堤風光帶生米大橋至三志物流段籃球場以北場地）for a total area of approximately 2,050 square meters. Under the agreement, the parties agreed that, Jiangxi Zhonghu shall be established and shall be held as to 65% by Zhong Hu Dingfeng and 35% by Jiangxi Luyang. Jiangxi Zhonghu shall have a registered capital of RMB5,000,000 (equivalent to approximately HK$6,004,000), which shall be contributed by Zhong Hu Dingfeng and Jiangxi Luyang as to RMB3,250,000 in cash (equivalent to approximately HK$3,903,000) and RMB1,750,000 in cash (equivalent to approximately HK$2,101,000), respectively.

Pursuant to the agreement, Jiangxi Zhonghu was established in the PRC on 18 December 2017.

* *For identification purpose only*

CAPITAL STRUCTURE

Connected Transaction－Subscription for New Shares by a Connected Person

On 25 July 2017, the Company entered into the subscription agreement with Beijing Enterprises Medical and Health Industry Group Limited ("**BEMH**") in relation to the subscription of an aggregate of 122,000,000 subscription shares at the subscription price of HK$1.88 per subscription share (the "**Subscription**").

The gross proceeds of the Subscription will be HK$229.4 million. The net proceeds of the Subscription, after the deduction of the related expenses, will be approximately HK$228.1 million, representing a net issue price of approximately HK$1.87 per subscription share. The Company intends to apply the net proceeds of the Subscription for repayment of Shareholder's loan.

As BEMH is a substantial Shareholder interested in approximately 19.67% of the issued share capital of the Company ("**Share(s)**") at the date of this interim report, it is a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is subject to, among others, the approval of the independent Shareholders at the extraordinary general meeting. The Board believes that the Subscription would allow the Group to strengthen the strategic relationship with BEMH from raising additional funds for the Company.

The Subscription was completed on 30 November 2017. A total of 122,000,000 Subscription shares were allotted and issued to BEMH on 30 November 2017 with a net proceeds of HK$228.1 million was received by the Company on the same date.

On early December 2017, the Company applied all the net proceeds from the Subscription to repay the four Shareholder's loans as set out in the section with heading "**Shareholder's Loans and Repayment**" on page 28 of this announcement.

References should be made to the announcements of the Company dated 25 July 2017, 31 August 2017 and 30 November 2017 for the details of the Subscription.

SHAREHOLDER'S LOANS AND REPAYMENT

During the year under review, the Company entered into the following Shareholder's loan agreements in the following terms and amounts: –

Date	Lender	Loan Amount (million)	Interest rate (per annum)
16 December 2016	Hollyview International Limited	HK$175	3.0%
15 March 2017	W Capital Management Limited	HK$20	4.8%
16 March 2017	Vision Finance Group Limited	HK$20	4.8%
17 March 2017	Vision Finance Active Investment Limited	HK$48	4.8%

The interest rate was determined after arm's length negotiations between the parties by reference to the then prevailing bank lending interest rate. These Shareholder's loans will be due on the second anniversary if not paid earlier. The lenders could request the Company to pay the loan amount and accrued interest on demand.

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

These four Shareholder's loans were fully repaid in early December 2017 by the Company to the lenders with the net proceeds received by the subscription of new shares by BEMH as set out in the section with heading "**Connected Transaction－Subscription of New Shares by a Connected Person**" on page 27 of this announcement.

FINANCIAL HIGHLIGHTS

OVERALL FINANCIAL RESULTS

The Company is an investment holding company and its subsidiaries are principally engaged in the investments in the sports and entertainment-related industry in the PRC; and the provision of air freight services in the wholesale market.

During the year under review, the Group achieved approximately HK$156.8 million in turnover, representing an increase of approximately 90% from that of approximately HK$82.5 million during the same period of last year. Gross profit was approximately HK$39.3 million comparing to the gross profit of approximately HK$8.6 million during the corresponding period of last year. The overall gross profit ratio increased from approximately 10.4% to approximately 25.1%.

The improvements in both the turnover and gross profit of the Group during the year under review was primarily due to the contribution from MetaSpace (Beijing) Air Dome Corp*, a PRC company acquired by the Group on 18 April 2017 as set out the section with heading "**Discloseable Transaction in relation to the Capital Injection into MetaSpace (Beijing) Air Dome Corp**" on page 22 of this announcement.

* *For identification purpose only*

Loss for the year attributable to owners of the Company was approximately HK$24.1 million as compared to approximately HK$48.3 million in the year ended 31 December 2016. Basic loss per Share was approximately HK2.04 cents.

As at 31 December 2017, the balance of cash and cash equivalents was approximately HK$139.5 million (31 December 2016: approximately HK$306.4 million).

Other Income and Gains

The Group recorded other income and gains, net of HK$74.1 million during the year, compared to HK$15.9 million in 2016. The increase was mainly attributable to the gain from disposal of subsidiary during the year for HK$40.7 million as follows:

On 7 April 2017, the Group completed a disposal of 65% shareholding interest in the Beijing Zhong Hu Shengjia Culture Development Limited* and Beijing Zhong Hu Tianjie Cinema Management Limited* at the consideration of RMB13 million and recorded a gain on disposal of approximately HK$5.6 million. For details, please refer to the section headed "**Discloseable and Connected Transaction in Relation to Termination of the Joint Venture involving the Disposal of Joint Venture and the Joint Venture Subsidiary**" on page 24 of this announcement.

On 28 June 2017, the Group completed the disposal of its entire issued capital on Lucky Outset Investments Limited ("**Lucky Outset**") together with the shareholder's Loan at the consideration of HK$120,536,000. The sole asset of the Lucky Outset is the 100% equity interest in Nobletree Limited, a wholly-owned subsidiary of the Lucky Outset and a company incorporated in Hong Kong with limited liability, which holds office premises situate at Office Units 1110-11, 11th Floor, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong. The cash consideration of HK$120,536,000 was received by the Group on 30 August 2017 and the Group recorded a gain on disposal of approximately HK$33.1 million. For details, please refer to the section headed "**Discloseable Transaction in Relation to The Disposal of a Wholly-Owned Subsidiary Together with Its Shareholder's Loan**" on page 26 of this announcement.

On 20 November 2017, the Group completed a disposal of 74% of Beijing Zhonghu Zhilu Cultural Development Co., Limited at the consideration of RMB7.4 million and recorded a gain on disposal of approximately HK$2.0 million.

Administrative Expenses

Administrative expenses for the year increased to HK$75.8 million, compared to last year of HK$58.1 million. The increase was mainly due to the increase in related business expansion in sports and entertainment business in the PRC during the year.

Finance Costs

Finance costs mainly represented the interests on Shareholder's loans payable to the lenders during the year.

Investment Properties

Investment property represented a building located in Shanxi, the PRC which the Group held to earn rental income during the year. The investment property was stated at cost.

Intangible Assets and Goodwill

Goodwill for HK$29.1 million is mainly generated from the capital injection of Metaspace (Beijing) Air Dome Corp* completed on 18 April 2017.

Liquidity, Financial Resources and Gearing Ratio

The Group's net cash outflow from operating activities for the year under review amounted to approximately HK$69.3 million (2016: approximately HK$21.5 million). As at 31 December 2017, cash and cash equivalents amounted to approximately HK$139.5 million, representing a decrease of approximately HK$166.9 million as compared with the position as at 31 December 2016. The decrease in cash and cash equivalents is mainly due to the repayment of Shareholder's loans but offset by the cash proceeds received from the disposal of subsidiaries during the year under review.

As at 31 December 2017, the Group have Shareholder's loan of approximately HK$ Nil (as at 31 December 2016: approximately HK$175 million). The gearing ratio (which is calculated by dividing total borrowings by total assets) was Nil% (31 December 2016: 38.7%). During year ended 31 December 2016 and 2017, the Group did not hedge its exposure to interest rate risk.

As at 31 December 2017, the Group had current assets of approximately HK$414.9 million (31 December 2016: approximately HK$337.3 million) and current liabilities of approximately HK$66.7 million (31 December 2016: approximately HK$212.8 million). The current ratio (which is calculated by dividing current assets by current liabilities) was approximately 6.22 (31 December 2016: approximately 1.58). The significant improvement in current ratio is mainly due to the repayment of Shareholder's loans in early December 2017.

Capital Expenditure

The Group's capital expenditure was approximately HK$76,571,000 (2016: approximately HK$15,052,000), representing the purchase of leasehold improvement, office equipment, and furniture and fixtures of the Group during the year under review.

Capital Commitment

As at 31 December 2017, the Group had capital commitments of approximately HK$170.2 million (2016: approximately HK$12.4 million).

Contingent Liabilities

As at 31 December 2017, the Group did not have any significant contingent liability (2016: Nil).

Operating Lease Commitments

As at 31 December 2017, the Group had operating leases commitments of approximately HK$101.0 million (2016: approximately HK$115.8 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.

LITIGATIONS

On 26 January 2018, Zhong Hu Yueyong (Shanghai) Sports Development Limited* ("**Zhong Hu Yueyong**"), an indirect wholly-owned subsidiary of the Company, commenced legal proceedings in the Citizen Court of Chaoyang District, Beijing, the PRC (the "**District Court**") to retain the personal properties of Miss Zhou Ya Li ("**Miss Zhou**") including the 74% equity shareholding of Beijing Zhonghu Zhilu Cultural Development Co., Limited ("**Zhonghu Zhilu**")*.

On 6 February 2018, Zhong Hu Yueyong filed a formal lawsuit to Miss Zhou in the District Court for the recovery of a sum of RMB6,400,000 for the sales proceeds on disposal of 74% of the equity entered of Zhonghu Zhilu on 20 November 2017 and the case is pending for proceeding under the District Court.

Save as discussed in the above, during the year ended 31 December 2017, no member of the Group is engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened or against any member of the Group.

* *For identification only*

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had 115 full-time employees (2016: 70) 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. The staff costs (excluding director's and chief executive's remuneration) incurred for the year were approximately HK$33.9 million (2016: approximately HK$30.5 million).

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 GOVERNANCE 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 2017, 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 2017.

FINAL DIVIDEND

The Board do not recommend the payment of any final dividend to the Shareholders for the year ended 31 December 2017 (2016: 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 2017.

THE ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2017 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, 27 March 2018

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.