HK1803

北京體育文化產業集團有限公司
BEIJING SPORTS AND ENTERTAINMENT INDUSTRY GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1803)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The Board (“**Board**”) of directors (the “**Directors**”) of Beijing Sports and Entertainment Industry Group Limited (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2018 (the “**Period**”), together with comparative figures for the corresponding period in last year. The 2018 interim condensed consolidated results of the Group are unaudited, but have been reviewed by the audit committee of the Company.

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

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
			(Restated)
	Notes	***HK$'000***	*HK$'000*
Revenue from contracts with customers	*4*	**68,208**	58,421
Cost of sales		**(57,147)**	(47,624)
Gross profit		**11,061**	10,797
Other income and gains, net		**7,931**	3,745
Selling and distribution expenses		**(5,094)**	(3,347)
Administrative expenses		**(37,916)**	(35,039)
Other expenses		**(2,004)**	(2,219)
Finance costs		**(20)**	(3,922)
Operating loss		**(26,042)**	(29,985)
Gain on disposal of subsidiaries		**15**	4,943
Loss before tax		**(26,027)**	(25,042)
Income tax expense	*5*	**(1,005)**	(300)
Loss for the period		**(27,032)**	(25,342)
Other comprehensive income/(loss)			
Change in fair value of financial assets at fair value through other comprehensive income (net of tax)		**(9,849)**	–
Reclassification adjustment of exchange differences upon disposal of subsidiaries		**256**	918
Exchange differences arising on the translation of foreign operations		**100**	1,852
Total comprehensive loss for the period		**(36,525)**	(22,572)

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

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
			(Restated)
	Notes	***HK$'000***	*HK$'000*
Loss attributable to:			
– Owners of the parent		**(21,722)**	(22,924)
– Non-controlling interests		**(5,310)**	(2,418)
		(27,032)	(25,342)
Total comprehensive loss attributable to:			
– Owners of the parent		**(29,580)**	(21,363)
– Non-controlling interests		**(6,945)**	(1,209)
		(36,525)	(22,572)
		HK cents	*HK cents*
Loss per share attributable to ordinary equity holders of the parent			
– Basic and diluted	*6*	**(1.67)**	(1.96)
		HK$'000	*HK$'000*
Dividends	*7*	**–**	–

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2018 (Unaudited) *HK$'000***	31 December 2017 (Audited) *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**49,122**	18,746
Investment property		**–**	18,667
Goodwill		**37,692**	29,138
Other intangible assets		**28,125**	33,596
Prepayments, deposits and other receivables		**4,698**	14,778
Investment in an associate		**163**	–
Amounts due from contract customer		**11,970**	11,590
Trade receivables	*8*	**5,308**	5,376
Financial assets at fair value through other comprehensive income		**59,694**	–
Available-for-sale financial assets		**–**	108,166
Deferred tax assets		**4,272**	769
Total non-current assets		**201,044**	240,826
Current assets			
Inventories		**8,705**	3,430
Amount due from contract customer		**60,347**	54,094
Trade and bills receivables	*8*	**71,160**	51,840
Prepayments, deposits and other receivables		**32,784**	43,422
Financial assets at fair value through profit or loss		**98,811**	–
Financial assets at fair value through other comprehensive income		**41,091**	–
Available-for-sale financial assets		**–**	122,717
Cash and bank balances		**152,509**	139,489
Total current assets		**465,407**	414,992
Total assets		**666,451**	655,818

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Current liabilities			
Trade and bills payables	*10*	**60,594**	32,246
Other payables and accruals		**29,124**	23,334
Contract liabilities		**4,468**	–
Loan from a shareholder	*12*	**1,186**	–
Tax payable		**10,454**	11,165
Total current liabilities		**105,826**	66,745
Net current assets		**359,581**	348,247
Total assets less current liabilities		**560,625**	589,073
Non-current liabilities			
Other payables		**–**	600
Deferred tax liabilities		**7,156**	8,530
Total non-current liabilities		**7,156**	9,130
Total liabilities		**112,982**	75,875
Net assets		**553,469**	579,943
EQUITY			
Equity attributable to owners of the parent			
Share capital	*11*	**6,531**	6,484
Reserves		**420,666**	443,222
		427,197	449,706
Non-controlling interests		**126,272**	130,237
Total equity		**553,469**	579,943

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 General information of the Group

Beijing Sports and Entertainment Industry Group Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands. 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, the Company and its subsidiaries (together, the "**Group**") are principally engaged in the investment and operation of the sports and entertainment related business in the People's Republic of China (the "**PRC**"); and the provision of air freight services in the wholesale market.

This interim condensed consolidated financial statements for the Period are presented in Hong Kong Dollars (HK$) unless otherwise stated. This interim condensed consolidated financial statements were approved for issue on 29 August 2018.

2 Basis of preparation

These interim condensed consolidated financial statements for the Period have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The interim condensed consolidated financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

3 Accounting Policies

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of following new standards and interpretations effective as of 1 January 2018:

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfer of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements *2014-2016 Cycle*	*Amendments to HKFRS 1 and HKAS 28*

Other than further explained below, other amendments and interpretations as above apply for the first time in 2018, do not have an material impact on the interim condensed consolidated financial statements of the Group. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not effective.

The Group adopted HKFRS 15 Revenue from Contracts with Customers and HKFRS 9 Financial Instruments on 1 January 2018, using a modified retrospective method. The Group didn't restate comparative information and recognised the transition adjustments against the opening balance of retained earnings at 1 January 2018. The effect of adopting HKFRS 15 and HKFRS 9 is as follows:

The adoption of HKFRS 15 had impacts to the financial position as at 1 January 2018: the decrease of amounts due from contract customer of HK$8,263,000, the increase in accumulated losses of HK$2,902,000, and the related decrease in non-controlling interests of HK$4,121,000 and the increase of deferred tax assets of HK$1,240,000, respectively. Meanwhile, reclassification from advance from customers included in other payables and accruals to contract liabilities of HK$62,000 was made to be consistent with the terminology used under HKFRS 15.

The adoption of HKFRS 9 had impacts on the classification and measurement of the Group's financial assets. The balance of available-for-sale investments of HK$230,883,000 as at 1 January 2018 was reclassified to financial assets at fair value through other comprehensive income of HK$108,166,000 and financial assets at fair value through profit or loss of HK$122,717,000. The adoption of HKFRS 9 also resulted in the increase of accumulated losses of HK$2,003,000, and related increase of available-for-sale assets revaluation reserve of HK$421,000 and financial assets at fair value through other comprehensive income revaluation reserve of HK$1,582,000 as at 1 January 2018.

4 Revenue and 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 provides air freight services in the wholesale market; and (b) sport and entertainment segment investing in air dome business and engaged in the construction and operating of air domes 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, investment income, gross rental income, corporate and unallocated expenses as well as finance costs are excluded from such measurement.

Six months ended 30 June 2018	Logistics	Sport and entertainment	Total
	Unaudited		
	HK$'000	*HK$'000*	*HK$'000*
Segment Revenue:			
Sales to external customers	**261**	**67,947**	**68,208**
Segment results	**(5,342)**	**(23,056)**	**(28,398)**
Reconciliation:			
Interest income			**541**
Investment income			**6,724**
Gain on disposal of subsidiaries			**15**
Corporate and unallocated expenses			**(4,889)**
Finance costs			**(20)**
Loss before tax			**(26,027)**
Other segment information:			
Reversal of impairment losses in the statement of profit or loss	**–**	**830**	**830**
Depreciation and amortization	**60**	**7,041**	**7,101**
Capital expenditure*	**–**	**14,268**	**14,268**

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

The segment information provided to the executive Directors for the reportable segments for the six months ended 30 June 2017 is as follows:

	Unaudited		
Six months ended 30 June 2017	Logistics business	Sport and, entertainment and other business	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment Revenue:			
Sales to external customers	7,542	50,879	58,421
Segment results	(1,597)	(14,327)	(15,924)
Reconciliation:			
Interest income			47
Gross rental income			1,352
Corporate and unallocated expenses			(6,595)
Finance costs			(3,922)
Loss before tax			(25,042)
Other segment information:			
Impairment losses recognized in the statement of profit or loss	70	27	97
Depreciation and amortization	316	3,518**	3,834
Capital expenditure*	–	4,359	4,359

As at 30 June 2018 and 2017, the Group's non-current assets were mainly located in China mainland and Hong Kong.

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

** *The amount for the period ended 30 June 2017 has been restated as a result of the completion of the initial accounting for the acquisition of MetaSpace (Beijing) Air Dome Corp., details of which are set out in note 9(b).*

5 Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2017: 16.5%) on the estimated assessable profits during the Period.

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%. Preferential rate of 10% withholding income tax is also imposed on dividends relating to any profits earned commencing from 1 January 2008 to foreign investors incorporated in Hong Kong.

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

The amounts of income tax expense charged to the interim condensed consolidated statement of comprehensive income represent:

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
		(Restated)
	HK$'000	*HK$'000*
Current income tax	**2,669**	1,137
Deferred income tax*	**(1,664)**	(837)
Income tax expense	**1,005**	300

* *The amount for the period ended 30 June 2017 has been restated as a result of the completion of the initial accounting for the acquisition of MetaSpace (Beijing) Air Dome Corp., details of which are set out in note 9(b).*

6 Loss Per Share

The calculation of the basic loss per share amount is based on the loss for the Period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,300,588,664 (six months period ended 30 June 2017: 1,170,219,000) in issue during the Period.

No adjustment has been made to the basic loss per share amount presented for the six months period ended 30 June 2018 and 2017 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.

7 Dividends

The Board do not recommend any payment of interim dividend to shareholders of the Company for the Period (six months ended 30 June 2017: Nil).

8 Trade and Bills Receivables

	As at	
	30 June	31 December
	2018	2017
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade and bills receivables	**80,312**	61,810
Impairment	**(3,844)**	(4,594)
	76,468	57,216
Non-current	**5,308**	5,376
Current	**71,160**	51,840
	76,468	57,216

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:

	As at	
	30 June	31 December
	2018	2017
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 1 month	**25,093**	9,070
1 to 2 months	**2,707**	3,279
2 to 3 months	**9,193**	8,972
Over 3 months	**39,475**	35,895
	76,468	57,216

9 Business Combination

The fair values of the identifiable assets and liabilities of the subsidiaries acquired during the period ended 30 June 2018 and 30 June 2017 as at the date of acquisition are set out as follows:

	Six-month period ended 30 June	
	2018	2017
	Bodewei	MetaSpace
	HK$'000	*HK$'000*
	(note a)	*(note b)*
		(Restated)
Total identifiable net assets at fair value	**44**	239,806
Non-controlling interests	**(3,395)**	(110,814)
Goodwill on acquisition	**8,554**	29,138
Satisfied by cash	**5,203**	158,130

The Group has elected to measure the non-controlling interest at fair value.

Note:

(a) On 28 February 2018, the Group through an indirectly non-wholly owned subsidiary, acquired 56% equity interests and hence obtained control of Bodewei (Beijing) Sport Development Corporation Limited ("**Bodewei**"), an unlisted company in Mainland China that specialises in the operation of stadiums. The purchase consideration for the acquisition was in cash of Renminbi ("**RMB**") 4,200,000 (equivalent to HK$5,203,000).

(b) On 18 April 2017, the Group through an indirectly 80% owned subsidiary, acquired 51.66% equity interest (with 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 cash of RMB$140,000,000 (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 goodwill on acquisition of the equity interests of MetaSpace (Beijing) Air Dome Corp., as disclosed in the financial statements for the period ended 30 June 2017 represented the then provision amount estimated by the directors of the Company as the Group had not completed the fair value measurement of the identifiable net assets of MetaSpace (Beijing) Air Dome Corp., and the initial accounting for the acquisition was incomplete.

The initial accounting was completed during the year ended 31 December 2017 and the acquisition date fair value of identifiable net assets was HK$249,972,000, representing increases of HK$38,409,000 over the provisional amounts. The 2017 interim comparative information was restated to reflect the adjustment to the provisional amounts. As a result of the aforesaid changes in fair value, deferred tax liabilities had been increased by HK$10,166,000 and non-controlling interests had been increased by HK$9,141,000. The corresponding goodwill amount had been decreased by HK$19,102,000, resulting in HK$29,138,000 of total goodwill arising on the acquisition. The increases in amortization expense and deferred tax benefits were HK$1,832,000 and HK$458,000, respectively.

Since the acquisition, Bodewei contributed HK$2,702,000 to the Group's revenue and HK$352,000 to the consolidated profit for the period ended 30 June 2018.

Had the combination taken place at the beginning of the period ended 30 June 2018, the revenue of the Group and the loss of the Group for the period ended 30 June 2018 would have been HK$68,936,000 and HK$27,361,000, respectively.

10 Trade and Bills Payables

	As at	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
	HK$'000	*HK$'000*
Trade and bills payables	**60,594**	32,246

As at 30 June 2018 and 31 December 2017, the aged analysis of trade and bills payables based on the invoice date was as follows:

	As at	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
	HK$'000	*HK$'000*
Within 1 month	**39,820**	17,056
1 to 2 month	**8,395**	3,323
2 to 3 month	**2,313**	1,192
Over 3 month	**10,066**	10,675
	60,594	32,246

As at 30 June 2018 and 31 December 2017, the carrying amounts of trade and bills payables approximated their fair values.

11 Share Capital

	As at	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
	HK$'000	*HK$'000*
Authorised:		
4,000,000,000 ordinary shares of HK$0.005 each	**20,000**	20,000
Issued and fully paid:		
1,306,110,400 (31 December 2017: 1,296,792,900) ordinary shares of HK$0.005 each	**6,531**	6,484

	Number of issued and fully paid ordinary shares	**Issued share capital**
		HK$'000
At 1 January 2018	1,296,792,900	6,484
Exercise of share options during the Period	9,317,500	47
At 30 June 2018	1,306,110,400	6,531

12 Loan from a shareholder

As at 30 June 2018, the loan from a shareholder of HK$1,186,000 were unsecured, interest bearing at average rate 12% per annum (as at 31 December 2017: Nil) and repayable within one year. The carrying amount of loan from a shareholder approximated its fair values and was denominated in RMB.

BUSINESS REVIEW AND OUTLOOK

Sports and Entertainment Business

The Group, through its non-wholly owned subsidiary, MetaSpace Air Dome Corp* ("**MetaSpace**"), is positioned as the leading integrated service provider on construction and development of air dome stadiums in the People's Republic of China (the "**PRC**"). With a market shares of the air dome industry of 44% in the PRC, MetaSpace has ranked number one in the air dome industry in the past ten years in the PRC. Presently, MetaSpace has a total of 101 intellectual property rights (including invention patents, software, copyrights & trademarks, etc.) covering all key technologies in the construction of air dome structure.

The air dome stadiums constructed by MetaSpace are mainly used as sports venues, facilities of industrial & environmental protection, warehousing, and commercial exhibition areas. The major customers of MetaSpace are sports & event organizers, government departments, real estate developers, and warehouse operators. The characteristics of these air dome stadiums are low cost, short construction period, easy relocation, and energy saving. The Group will continue to invest in research and development in the air dome construction in order to satisfy and serves more customers in different industry sectors.

In generally, the sports industry in China continued to report growth in in 2018. According to the State Council document "**關於加快體育產業、促進體育消費的若干意見**", the total monetary value of the sports industry is expected to reach RMB5 trillion by 2025. The sports industry will become increasingly market-oriented, while the sports service sector is expected to embrace rapid growth. Meanwhile, the "**中國冬季奧運會發佈報告**" suggests that a successful Winter Olympics will usher in unprecedented development opportunities for the nation's winter sports industry. When the Winter Olympics is held at Beijing in 2022, China is expected to have 45 million skiers by turnout. The central government has implemented policies to streamline the development of the winter sports industry to encourage universal involvement in and arouse people's enthusiasm for sports activities. With the support of national policies and the constant increase in public awareness towards their own health, the robust development of sports market demands brings about new opportunities to the current and future sporting industry.

* *For identification only*

Logistics Business

Although the worldwide air freight logistics business is highly fragmented and competitive, in particular, we directly and indirectly compete with other integrated logistics service providers on a local, regional and international basis in the form of pricing and network of customer, the Group will implement various strategies with the intention to strengthen our market position. The Group will closely monitor the market situations and make necessary adjustments to its strategies and operations.

SHAREHOLDER'S LOANS RECEIVED IN MAY 2018

In May 2018, the Company entered into a Shareholder's loan agreement in the following terms and amounts:–

Date	Lender	Loan Amount	Interest rate (per annum)
10 May 2018	Hu Yebi	RMB1,000,000	12%

The interest rate was determined after arm's length negotiations between the parties by reference to the then prevailing bank lending interest rate. This Shareholder's loan will be due on the first anniversary if not paid earlier.

As the lender is a Director and a substantial shareholder of the Company, this loan constituted connected transaction in the form of financial assistance in favour of the Group. However, as this loan amount is RMB1,000,000 (equivalent to HK$1,186,000) which is less than 5% of all applicable ratios and HK$3,000,000, this 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.76.

EVENT AFTER THE REPORTING PERIOD

Discloseable Transaction in relation to the Capital Injection into the Target Company

On 5 July 2018, Zhonghu Yaoshi Sports Arena Management (Beijing) Co., Limited* ("**Zhonghu Yaoshi**"), an indirect wholly-owned subsidiary of the Company, entered into the Agreement with Shenzhen City Deqin Jiashang Sports Industry Co., Limited* ("**Deqin Jiashang**"), Shenzhen Wisdom Sports Industry Co., Limited* ("**Shenzhen Wisdom**") and Wisdom Sports Arena Operation (Shenzhen) Co., Limited* (the "**Target Company**") in relation to the capital injection into the Target Company (the "**Capital Injection**").

The Target Company is a company incorporated in the PRC with limited liability and is a direct wholly-owned subsidiary of Deqin Jiashang as at the date of this interim report.

Pursuant to the Agreement, Zhonghu Yaoshi and Shenzhen Wisdom agreed to contribute RMB50,000,000 and RMB40,000,000 respectively to the Target Company, representing 50% and 40% equity interests in the Target Company respectively upon completion of the Capital Injection. As a result, the Target Company will become an indirect non-wholly owned subsidiary of the Company and accordingly, the financial results of the Target Company and its subsidiaries excluding 安徽美智尚誠體育文化有限公司, a direct wholly-owned subsidiary of the Target Company as at the date of this report, will be consolidated into the Group.

As one or more of the applicable percentages ratios (as defined in the Listing Rules) in respect of the Capital Injection exceed 5% but are all less than 25%, the transaction under the Agreement constitutes a discloseable transaction for the Company under the Listing Rules and is therefore subject to reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

References should be made to the announcement of the Company dated 5 July 2018 for the details of the Capital Injection.

* *For identification only*

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 Period, the Group achieved approximately HK$68.2 million in turnover, representing an increase of approximately 16.8% from that of approximately HK$58.4 million during the same period of last year. Gross profit was approximately HK$11.1 million comparing to the gross profit of approximately HK$10.8 million (restated) during the corresponding period of last year. The overall gross profit ratio decreased slightly from approximately 18.5% (restated) to approximately 16.2%.

Loss for the Period attributable to owners of the Company was approximately HK$27.0 million as compared to approximately HK$25.3 million (restated) in the period ended 30 June 2017. Basic loss per share of the Company (the "**Share(s)**") was approximately HK1.67 cents.

As at 30 June 2018, the balance of cash and bank balances was approximately HK$152.5 million (31 December 2017: approximately HK$139.5 million).

Liquidity, Financial Resources and Capital Structure

The Group's net cash outflow from operating activities for the Period amounted to approximately HK$40.9 million (2017: approximately HK$35.1 million). As at 30 June 2018, cash and bank balances amounted to approximately HK$152.5 million, representing an increase of approximately HK$13.0 million as compared with the position as at 31 December 2017.

As at 30 June 2018, the Group have shareholder's loan of approximately HK$1.2 million (as at 31 December 2017: Nil). The gearing ratio (which is calculated by dividing total borrowings by total assets) was 0.18% (31 December 2017: Nil%). During the six months ended 30 June 2018 and 2017, the Group did not hedge its exposure to interest rate risk.

As at 30 June 2018, the Group had current assets of approximately HK$465.4 million (31 December 2017: approximately HK$415.0 million) and current liabilities of approximately HK$105.8 million (31 December 2017: approximately HK$66.7 million). The current ratio (which is calculated by dividing current assets by current liabilities) was approximately 4.40 (31 December 2017: approximately 6.22).

Other Income and Gains

The Group recorded other income and gains of approximately HK$7.9 million during the Period and it mainly composed of interest income earned from corporate bonds for approximately HK$4.0 million and interest income earned from wealth management products for approximately HK$2.4 million during the Period.

Administrative Expenses

During the Period, the administrative expenses were approximately HK$37.9 million, which represented an increase of approximately HK$2.9 million, or 8.2%, from approximately HK$35.0 million in the six months ended 30 June 2017. The increase is in line with the increase in turnover.

Financial Assets at Fair Value through Other Comprehensive Income

Reclassified from available-for-sale financial assets – long term during the Period, financial assets at fair value through other comprehensive income represents corporate bonds purchased by a wholly-owned subsidiary of the Company, namely Sino Sky Trend Limited, through a financial institution in Hong Kong. These corporate bonds are measured at fair value and is determined by reference to the quoted bid prices at the reporting date in the over-the-counter markets. During the Period, the interest income on the Group's bond investments recognized in the statement of profit or loss amounted to approximately HK$4.0 million, and gain from bonds disposal during the year amounted to approximately HK$0.3 million. The fair value loss on the Group's bond investments recognized in the statement of other comprehensive income or loss amounted to approximately HK$9.8 million (net of tax).

Financial Assets at Fair Value through Profit or Loss

Reclassified from available-for-sale financial assets – short term during the Period, financial assets at fair value through profit or loss represents the subscription of wealth management products issued by licensed banks in the PRC. These wealth management products are measured at fair value and were subscribed by the Company through MetaSpace for short-term treasury management purpose. During the Period, the interest income from investment in wealth management products recognized in the statement of profit or loss amounted to approximately HK$2.4 million.

Capital Expenditure

The Group's capital expenditure was approximately HK$2.9 million during the Period (2017 corresponding period: approximately HK$1.1 million), representing the purchase of office equipment, and furniture and fixtures of the Group during the Period.

Capital Commitment

As at 30 June 2018, the Group's capital commitments amounted to approximately HK$168.0 million (31 December 2017: approximately HK$170.2 million).

Contingent Liabilities

As at 30 June 2018, the Group did not have any significant contingent liability (31 December 2017: Nil).

Operating Lease Commitments

As at 30 June 2018, the Group had operating leases commitments of approximately HK$106.4 million (31 December 2017: approximately HK$101.0 million).

Charges on assets

As at 30 June 2018, the Group did not have any charges on assets.

Foreign Currency Risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi and United States dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. During the Period, the Group had not hedged its foreign exchange risk because the exposure, after netting off the gain and loss derived from foreign exchange difference, was not very significant. Our management will continue to monitor our foreign exchange exposure and will consider hedging the foreign currency exposure when it is necessary.

LITIGATION

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 ("**Sales Proceeds**").

On 2 June 2018, the District Court ruled that Miss Zhou lost the lawsuit and Miss Zhou had to repay the Sales Proceeds to Zhong Hu Yueyong within ten days of the judgement. On 25 July 2018, Miss Zhou filed an appeal to the Third Zhong Ji Citizen Court of Beijing, the PRC ("**Zhong Ji Court**") and the appeal is pending for proceeding under the Zhong Ji Court.

Save as discussed in the above, during the Period, 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 purpose only*

HUMAN RESOURCES

As at 30 June 2018, the Group had 53 full-time employees (31 December 2017: 115). The Group reviews remuneration and benefits of its employees annually according to the relevant market practice and individual performance of the employees.

Save for the social insurance in China and the mandatory provident fund scheme in Hong Kong, the Group has not set aside or accrued any significant funds to provide for retirement or similar benefits for its employees. The staff costs incurred for the Period were approximately HK$20.2 million (2017 corresponding period: approximately HK$19.6 million).

CODE ON CORPORATE GOVERNANCE PRACTICES

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

The Company was incorporated in the Cayman Islands and has its shares listing on the Hong Kong Stock Exchange on 16 January 2012 (the "**Listing Date**"). The corporate governance rules applicable to the Company is the code on corporate governance practices as set out in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**"). In the opinion of the Board, the Company has complied with 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 30 June 2018 respectively, except for the deviation from code provisions 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 Period, Mr. Liu Xue Heng is both the chairman of the Board and the chief executive officer of the Company. The Board considered that Mr. Liu Xue Heng has in-depth knowledge and experience in the sports and entertainment related business in the PRC; and he is the most appropriate person. Notwithstanding the above, the Board will review the current structure from time to time. When at the appropriate time and if candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may make necessary arrangements.

Code Provision 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 Period, 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 have 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 Directors are subject to retirement by rotation at least once every three years in accordance with the articles of association of the Company. In addition, the Directors are required to refer to the guidelines set out in "**A Guide on Directors' Duties**" issued by the Companies Registry and "**Guidelines for Directors**" and "**Guide for Independent Non-executive Directors**" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

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

AUDIT COMMITTEE

The Company has established the Audit Committee on 3 December 2011 in accordance with the requirements of the Corporate Governance Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal control. The Audit Committee comprises three independent non-executive Directors. The interim results for the Period are unaudited but have been reviewed by the Audit Committee. During the Period, two regular meetings of the Audit Committee had been held.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this announcement, the Company has maintained a sufficient public float as required under the Listing Rules.

DIVIDEND

The Board does not recommend the payment of any interim dividend to shareholders for the Period. The declaration, payment, and amount of future dividends will be decided by the Board and will depend upon, among other things, the Group's result of operations, capital requirements, cash flows, general financial conditions, and such other factors as the Board may consider important.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the websites of the Company (**www.bsehk.com**) and The Stock Exchange of Hong Kong Limited (**www.hkexnews.hk**). The 2018 interim report of the Company will be dispatched to the shareholders of the Company and available on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 29 August 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.