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 2018

The board of directors (the "**Board**" or "**Directors**") 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 2018, together with the comparative figures for the year 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Revenue	*4,5*	**155,361**	156,823
Cost of sales		**(124,529)**	(117,499)
Gross profit		**30,832**	39,324
Other income and gains	*5*	**22,554**	74,078
Selling and distribution expenses		**(10,562)**	(11,363)
Administrative expenses		**(79,418)**	(75,771)
Other expenses		**(28,751)**	(26,654)
Finance costs		**(117)**	(7,505)
Share of loss of an associate		**(96)**	–
LOSS BEFORE TAX	*6*	**(65,558)**	(7,891)
Income tax expense	*7*	**(1,247)**	(10,243)
LOSS FOR THE YEAR		**(66,805)**	(18,134)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Available-for-sale financial assets:			
Changes in fair value		**–**	(504)
Income tax effect		**–**	83
Debt investments at fair value through other comprehensive income ("FVOCI")			
Changes in fair value		**(9,304)**	–
Reclassification adjustments for loss included in profit or loss – gain on disposal		**(554)**	–
Income tax effect		**1,626**	–
		(8,232)	(421)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
YEAR ENDED 31 DECEMBER 2018

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Exchange differences:			
Exchange differences on translation of foreign operations		**(1,916)**	2,078
Reclassification adjustments for foreign operations disposed of during the year		**(403)**	906
		(2,319)	2,984
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		**(10,551)**	2,563
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(10,551)**	2,563
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(77,356)**	(15,571)
Loss attributable to:			
– Owners of the Company		**(55,275)**	(24,106)
– Non-controlling interests		**(11,530)**	5,972
		(66,805)	(18,134)
Total comprehensive loss attributable to:			
– Owners of the Company		**(60,378)**	(27,708)
– Non-controlling interests		**(16,978)**	12,137
		(77,356)	(15,571)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*8*		
Basic and diluted		**HK$(4.2) cents**	HK$(2.0) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**48,702**	18,746
Investment property		**–**	18,667
Goodwill		**37,692**	29,138
Prepaid land lease payment		**23,371**	–
Other intangible assets		**22,887**	33,596
Investment in an associate		**166**	–
Prepayments, other receivables and other assets		**22,226**	14,778
Contract assets		**16,778**	–
Amounts due from contract customers		**–**	11,590
Trade receivables	*9*	**377**	5,376
Debt investments at FVOCI		**75,069**	–
Available-for-sale financial assets		**–**	108,166
Deferred tax assets		**7,903**	769
Total non-current assets		**255,171**	240,826
CURRENT ASSETS			
Inventories		**4,832**	3,430
Contract assets		**77,842**	–
Amounts due from contract customers		**–**	54,094
Trade and bills receivables	*9*	**70,695**	51,840
Prepayments, other receivables and other assets		**35,875**	43,422
Debt investments at FVOCI		**2,589**	–
Financial assets at fair value through profit or loss ("FVPL")		**74,013**	–
Available-for-sale financial assets		**–**	122,717
Restricted bank deposits		**1,415**	–
Cash and cash equivalents		**120,357**	139,489
Total current assets		**387,618**	414,992

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
31 DECEMBER 2018

	Notes	2018 HK$'000	2017 HK$'000
CURRENT LIABILITIES			
Trade and bills payables	*10*	**65,452**	32,246
Other payables and accruals		**46,871**	23,334
Interest bearing bank and other borrowings		**4,944**	–
Loan from a shareholder		**1,228**	–
Tax payable		**6,768**	11,165
Total current liabilities		**125,263**	66,745
NET CURRENT ASSETS		**262,355**	348,247
TOTAL ASSETS LESS CURRENT LIABILITIES		**517,526**	589,073
NON-CURRENT LIABILITIES			
Other payables		**–**	600
Deferred tax liabilities		**3,352**	8,530
Total non-current liabilities		**3,352**	9,130
Net assets		**514,174**	579,943
EQUITY			
Equity attributable to owners of the Company			
Share capital	*11*	**6,532**	6,484
Reserves		**392,139**	443,222
		398,671	449,706
Non-controlling interests		**115,503**	130,237
Total equity		**514,174**	579,943

NOTES

1. CORPORATE AND GROUP INFORMATION

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

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in investments in the sports and entertainment-related industry in the People's Republic of China (the "PRC") with focus in air dome construction, operation and management; as well as rendering of air freight services in the wholesale markets.

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 debt investments at FVOCI, financial assets at FVPL and bills receivables, 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 2018. 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 Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 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	*Transfers 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

Except for the amendments to HKFRS 4 and *Annual Improvements to HKFRSs 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement		Re-	HKFRS 9 measurement	
	Notes	**Category**	**Amount**	**classification**	**Amount**	**Category**
			HK$'000	*HK$'000*	*HK$'000*	
Financial assets						
Available-for-sale investments		AFS[1]	230,883	(230,883)	–	N/A
To: Financial assets at FVPL	*(i)*			(122,717)		
To: Debt investments at FVOCI	*(ii)*			(108,166)		
Debt investments at FVOCI		N/A	–	108,166	108,166	Financial assets at FVOCI (debt)
From: Available-for-sale investments	*(ii)*			108,166		
Trade receivables	*(iii)*	L&R[2]	56,856	–	56,856	AC[3]
Bills receivables	*(iv)*	L&R	360	–	360	Financial assets at FVOCI (debt)
Amounts due from contract customers	*(iii)*	L&R	57,421	–	65,684	AC
Financial assets included in prepayments, other receivables and other assets		L&R	30,253	–	30,253	AC

	Notes	HKAS 39 measurement Category	HKAS 39 measurement Amount	Re-classification			HKFRS 9 measurement Amount	HKFRS 9 measurement Category
			HK$'000	*HK$'000*			*HK$'000*	
Financial assets at FVPL		N/A	–	122,717			122,717	Financial assets at FVPL (mandatory)
From: Available-for-sale investments	*(i)*			122,717				
Cash and cash equivalents		L&R	139,489	–			139,489	AC
			523,525	–			523,525	
Total assets			523,525	–	–	–	523,525	
Financial liabilities								
Trade payables		AC	32,246	–	–	–	32,246	AC
Financial liabilities included in other payables and accruals		AC	22,417	–	–	–	22,417	AC
			54,663	–	–	–	54,663	
Total liabilities			54,663	–	–	–	54,663	

1 AFS: Available-for-sale investments

2 L&R: Loans and receivables

3 AC: Financial assets or financial liabilities at amortised cost

Notes:

(i) The Group has classified its bank product investments previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss as these non-equity investments did not pass the contractual cash flow characteristics test in HKFRS 9.

(ii) As of 1 January 2018, the Group has assessed its liquidity portfolio of debt investments which had previously been classified as AFS debt investments. The objective of the Group in holding this liquidity portfolio is to earn interest income and, at the same time, manage everyday liquidity needs. The Group concluded that these debt investments are managed within a business model to collect contractual cash flows and to sell the financial assets. Accordingly, the Group has classified these investments as debt investments measured at fair value through other comprehensive income.

(iii) The gross carrying amounts of the trade receivables and the amounts due from contract assets under the column "HKAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of HKFRS 15 but before the measurement of ECLs.

(iv) The Group's bills receivable are managed with a business model under which bills receivable are held to collect contractual cash flows or endorsed to suppliers prior to their expiry date. Accordingly, these bills receivable are reclassified as financial assets at fair value through other comprehensive income upon adoption of HKFRS 9.

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

	Impairment allowances under HKAS 39 at 31 December 2017	**Re-measurement**	**ECL allowances under HKFRS 9 at 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*
Available-for-sale investments under HKAS 39/ debt investments at FVOCI under HKFRS 9	–	2,003	2,003

Impact on reserves and accumulated losses

The impact of transition to HKFRS 9 on reserves and accumulated losses is as follows:

	Reserves and accumulated losses
	HK$'000
Fair value reserve under HKFRS 9 (available-for-sale investment revaluation reserve under HKAS 39)	
Balance as at 31 December 2017 under HKAS 39	(421)
Recognition of expected credit losses for debt investments at FVOCI under HKFRS 9	2,003
Balance as at 1 January 2018 under HKFRS 9	1,582
Accumulated losses	
Balance as at 31 December 2017 under HKAS 39	123,725
Recognition of expected credit losses for debt investments at FVOCI under HKFRS 9	2,003
Balance as at 1 January 2018 under HKFRS 9	125,728

(C) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

		Increase/ (decrease)
	Notes	*HK$'000*
Assets		
Deferred tax assets	*(i)*	1,240
Contract assets	*(i)*	57,421
Amounts due from contract assets	*(i)*	(65,684)
Total assets		(7,023)
Liabilities		
Other payables and accruals	*(ii)*	(62)
Contract liabilities	*(ii)*	62
Total liabilities		–
Equity		
Retained profits	*(i)*	(2,902)
Non-controlling interests	*(i)*	(4,121)
		(7,023)

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

		Amounts prepared under		
			Previous	**Increase/**
		HKFRS 15	**HKFRS**	**(decrease)**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*(i)(ii)*	155,361	185,414	(30,053)
Cost of sales	*(i)(ii)*	124,529	141,471	(16,942)
Gross profit		30,832	43,943	(13,111)
Loss before tax		(65,558)	(52,447)	(13,111)
Income tax expense	*(ii)*	(1,247)	(3,214)	1,967
Loss for the year		(66,805)	(55,661)	(11,144)
Attributable to:				
Owners of the Company		(55,275)	(50,669)	(4,606)
Non-controlling interests	*(ii)*	(11,530)	(4,992)	(6,538)
		(66,805)	(55,661)	(11,144)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Basic and diluted		HK(4.2) cents	HK(3.9) cents	

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
			Previous	**Increase/**
		HKFRS 15	**HKFRS**	**(decrease)**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Contract assets	*(i)*	94,620	–	94,620
Amounts due from contract customers	*(i)*	–	(115,994)	(115,994)
Deferred tax assets	*(i)*	7,903	4,696	3,207
Total assets		642,789	660,956	(18,167)
Other payables and accruals	*(ii)*	46,871	46,871	–
Total liabilities		128,615	128,615	–
Net assets		514,174	532,341	(18,167)
Accumulated losses	*(ii)*	(184,238)	(176,730)	(7,508)
Non-controlling interests	*(ii)*	(115,503)	(104,844)	(10,659)
Total equity		514,174	532,341	(18,167)

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 and the statement of profit or loss for the year ended 31 December 2018 are described below:

(i) Provision of air dome construction service

Before the adoption of HKFRS 15, contract costs were recognised as an asset provided it was probable that they would be recovered. Such costs represented an amount due from the customers and were recorded as amounts due from contract customer in the statement of financial position before the air dome construction services were billed to customers. Upon the adoption of HKFRS 15, a contract asset is recognised when the Group performs by transferring goods or services to customers and the Group's right to consideration is conditional. Accordingly, the Group reclassified HK$65,684,000 from amounts due from contract customers to contract assets as at 1 January 2018.

Prior to the adoption of HKFRS 15, revenue from the construction contract was recognised on the percentage of completion basis through input method. Under this method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, including labors, materials and other relevant costs, and the costs incurred for future activities on the contract, such as costs of construction components that have not been delivered to the construction sites or not acknowledged by the customers during the contract performance but have been made specifically for the contract. Upon the adoption of HKFRS 15, the Group recognised the revenue over time when control of construction components transferred or construction services performed, therefore, revenue from construction of air dome structures was recognised generally upon the delivery of construction components to the construction sites or acknowledged by the customers, and upon services performed. Accordingly, upon adoption of HKFRS 15, contract assets were decreased by HK$8,263,000, deferred tax assets were increased by HK$1,240,000 at 1 January 2018, which resulted in an increase in accumulated losses of HK$2,902,000 and a decrease in non-controlling interests of HK$4,121,000.

As at 31 December 2018, the adoption of HKFRS 15 resulted in an increase in contract assets of HK$94,620,000, an increase in deferred tax assets of HK$3,207,000 and a decrease in amounts due from contract customers of HK$115,994,000.

(ii) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables. Under HKFRS 15, the amount is classified as contract liabilities which is included in other payables and accrual.

Therefore, upon adoption of HKFRS 15, the Group reclassified HK$62,000 from other payables to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, HK$5,203,000 was reclassified from other payables to contract liabilities in relation to the consideration received from customers in advance for the sale of goods, the provision of air dome construction services and rendering of operation and management services and other sports related services.

In addition to the adjustments described above, other items of the primary financial statements such as tax and non-controlling interests were adjusted as necessary. Accumulated losses were adjusted accordingly.

(d) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments: (a) sports and entertainment segment investing in air dome construction, operation and management and other newly initiated businesses such as sports industry related consultation and management services; (b) logistics segment providing air freight services in the wholesale market and (c) others segment involved in other operating activities.

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, certain gross rental income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Year ended 31 December 2018	**Sports and entertainment** *HK$'000*	**Logistics** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Segment revenue				
Sales to external customers	**143,442**	**491**	**11,428**	**155,361**
Segment results	**(53,751)**	**(4,307)**	**(974)**	**(59,032)**
Reconciliation:				
Interest income				**612**
Gain from disposal of subsidiaries				**8,170**
Other investment income				**10,592**
Corporate and unallocated expenses				**(25,783)**
Finance costs				**(117)**
Loss before tax				**(65,558)**
Other segment information:				
Impairment losses recognised in profit or loss:				
Impairment of trade receivables	**7,786**	**–**	**–**	**7,786**
Impairment of contract assets	**4,472**	**–**	**–**	**4,472**
Impairment of property, plant and equipment	**3,390**	**–**	**–**	**3,390**
Depreciation and amortisation	**14,824**	**86**	**–**	**14,910**
Capital expenditure	**35,754**	**–**	**–**	**35,754**

* 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 2017	Sport and entertainment HK$'000 (Restated)	Logistics HK$'000	Others HK$'000 (Restated)	Total HK$'000
Segment revenue				
Sales to external customers	142,284	7,824	6,715	156,823
Segment results	(41,090)	4,969	(73)	(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:				
Impairment of trade an bill receivables	2,828	41	–	2,869
Impairment of property, plant and equipment	–	23	–	23
Impairment of goodwill	–	–	689	689
Impairment of other receivables	5,886	16,225	–	22,111
Depreciation and amortisation	9,660	339	–	9,999
Capital expenditure	76,571	–	–	76,571

Geographical information

During the year ended 31 December 2018 and 2017, the Group derived almost all of its revenue from its operating entities located in Mainland China and Hong Kong.

As at 31 December 2018 and 2017, the Group's non-current assets were mainly located in Mainland China and Hong Kong.

Information about a major customer

During the year 2018, there was no revenue from a single external customer that individually accounted for 10% or more of the Group's total revenue and there was one such customer in 2017 as follows:

	2018 ***HK$'000***	2017 *HK$'000*
Customer A	**–**	19,247

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers	**155,361**	–
Provision of air dome construction services	**–**	138,829
Rendering of operation and management services and other sports related services	**–**	3,465
Rendering of air freight services	**–**	7,824
Sale of goods	**–**	6,705
	155,361	156,823

Revenue from contracts with customers

Disaggregated revenue information

For the year ended 31 December 2018

Segments	**Sports and entertainment**	**Logistics**	**Other**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Types of goods or services				
Provision of air dome construction services	126,913	–	–	126,913
Rendering of operation and management services and other sports related services	16,529	–	–	16,529
Rendering of air freight services	–	491	–	491
Sale of goods	–	–	11,428	11,428
	143,442	491	11,428	155,361

	2018	2017
	HK$'000	*HK$'000*
Other income		
Bank interest income	**612**	479
Other investment income from financial assets at FVPL	**4,011**	1,543
Other interest income from debt investments at FVOCI	**6,581**	3,236
Gross rental income	**438**	1,706
Others	**1,154**	842
	12,796	7,806
Gains		
Recovery of impairment of investment properties	**–**	1,154
Exchange gain	**–**	11,737
Gain on disposal of subsidiaries	**8,170**	40,736
Others	**1,588**	12,645
	9,758	66,272
	22,554	74,078

6. LOSS BEFORE TAX

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

	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold	**11,086**	6,195
Cost of construction contracts	**85,296**	94,288
Cost of services provided	**8,472**	9,423
Depreciation	**3,809**	2,599
Amortisation of intangible assets	**11,101**	7,400
Research and development costs	**9,354**	6,391
Minimum lease payments under operating leases	**12,660**	10,409
Auditor's remuneration	**2,885**	2,756
Employee benefit expenses (excluding Directors' and chief executive's remuneration):		
Wages and salaries	**27,761**	21,346
Equity-settled share option expense	**2,920**	6,643
Pension scheme contributions	**8,737**	5,923
	39,418	33,912
Impairment of goodwill	**–**	689
Foreign exchange differences, net*	**15,379**	(11,737)
Impairment of items of property, plant and equipment**	**3,390**	23
Recovery of impairment of investment properties	**–**	(1,154)
Impairment of trade receivables**	**7,786**	2,869
Impairment of contract assets**	**4,472**	–
Reversal of impairment of debt investments at FVOCI	**(758)**	–
(Reversal of impairment)/impairment of other receivables***	**(3,307)**	22,111
(Gain)/loss on disposal of property, plant and equipment***	**(5)**	1,068
Gain on disposal of subsidiaries****	**(8,170)**	(40,736)

* *The item is included in "Other expenses" and "Other income and gains" in the consolidated statement of profit or loss and other comprehensive income for the year 2018 and 2017, respectively.*

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

*** *These items are included in "Other income and gains" and "Other expenses" in the consolidated statement of profit or loss and other comprehensive income for the year 2018 and 2017, respectively.*

**** *The items is included in "Other income and gains" in the consolidated statement of profit or loss and other comprehensive income.*

7. INCOME TAX

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during 2017. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

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%.

	2018	2017
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**3,859**	7,848
Current – Mainland China		
Charge for the year	**6,846**	5,006
Current – Others		
Charge for the year	**–**	27
Deferred	**(9,458)**	(2,638)
Total tax charge for the year	**1,247**	10,243

8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 1,303,474,816 (2017: 1,183,011,597) in issue during the year.

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

9. TRADE AND BILLS RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade and bills receivables	**81,357**	61,810
Impairment	**(10,285)**	(4,594)
	71,072	57,216
Current	**(70,695)**	(51,840)
Non-current	**377**	5,376

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, net of provisions, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 1 year	**49,537**	40,722
1 to 2 years	**13,630**	9,490
2 to 3 years	**6,142**	6,981
More than 3 years	**1,763**	23
	71,072	57,216

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:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**27,042**	17,056
1 to 2 months	**18,199**	3,323
2 to 3 months	**5,018**	1,192
Over 3 months	**15,193**	10,675
	65,452	32,246

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

	2018	2017
	HK$'000	*HK$'000*
Authorised:		
4,000,000,000 (2017: 4,000,000,000) ordinary shares of HK$0.005 each	**20,000**	20,000
Issued and fully paid:		
1,306,430,400 (2017: 1,296,792,900) ordinary shares of HK$0.005 each	**6,532**	6,484

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 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
At 31 December 2017 and 1 January 2018	1,296,792,900	6,484
Share options exercised *(Note (b))*	9,637,500	48
At 31 December 2018	1,306,430,400	6,532

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$228,330,000, 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 4 Directors and 10 employees of the Company at an exercise price of HK$0.764 per share. A total of 9,637,500 (2017: 6,562,900) shares were issued with a net proceeds of approximately HK$7,363,000 (2017: HK$5,014,000) received by the Company, of which approximately HK$7,315,000 (2017: HK$4,981,000) was credited to share premium, and approximately HK$48,000 (2017: HK$33,000) was credited to share capital.

12. BUSINESS COMBINATION

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 stadia. The purchase consideration for the acquisition was in cash of Renminbi ("RMB") 4,200,000 (equivalent to HK$5,203,000). The Group has elected to measure the non-controlling interest in Bodewei at fair value.

The fair values of the identifiable assets and liabilities of Bodewei acquired as at the date of acquisition were as follows:

	Fair value recognised on acquisition *HK$'000*
Property, plant and equipment	3,131
Cash and bank balances	132
Prepayments, other receivables and other assets	382
Trade payables	(2,812)
Other payables and accruals	(789)
Total identifiable net assets at fair value	44
Non-controlling interests	(3,395)
Goodwill on acquisition	8,554
Satisfied by cash	5,203

The fair values of other receivables as at the date of acquisition amounted to HK$42,000. The gross contractual amounts of other receivables were HK$42,000, of which other receivables of nil is expected to be uncollectible.

The Group incurred transaction costs of HK$38,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition of Bodewei is as follows:

	HK$'000
Cash consideration	(5,203)
Cash and bank balances acquired	132
Net outflow of cash and cash equivalents included in cash flows from investing activities	(5,071)
Transaction costs of the acquisition included in cash flows from operating activities	(38)
	(5,109)

Since the acquisition, Bodewei contributed HK$6,390,000 to the Group's revenue and HK$1,253,000 to the consolidated profit for the year ended 31 December 2018.

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$156,036,000 and HK$67,111,000, respectively.

13. DISPOSAL OF SUBSIDIARIES

	2018	2017
	HK$'000	*HK$'000*
Net assets disposed of:		
Property, Plant and equipment	**–**	12,024
Investment properties	**–**	87,000
Goodwill	**–**	75
Prepayments and other receivables	**10,719**	107,550
Inventories	**–**	90
Trade receivables	**13**	700
Cash and bank balances	**615**	8,761
Deferred tax liabilities	**(196)**	–
Trade payables	**(239)**	(3,220)
Other payables and accruals	**(8,775)**	(99,371)
Financial lease	**–**	(774)
Bank borrowings	**–**	(3,904)
Current income tax	**(9,837)**	(53)
Non-controlling interests	**(68)**	(6,622)

	2018	2017
	HK$'000	*HK$'000*
Total	**(7,768)**	102,256
Exchange reserves	**(402)**	906
	(8,170)	103,162
Gain on disposal of subsidiaries	**8,170**	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:

	2018	2017
	HK$'000	*HK$'000*
Cash consideration	**–**	143,898
Less: Cash and bank balances disposed of	**(615)**	(8,761)
Cash consideration not received by year end	**15,928**	(22,161)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**15,313**	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 **"Opinions on Accelerating the Development of Sports Industry to Promoting Sports Consumption" (No. 46),《關於加快發展體育產業促進體育消費的若干意見》(46號文)** by the State Council of the People's Republic of China (the "**PRC**") in 2014, the development of the sports industry in the PRC has been experiencing rapid changes. Furthermore, the PRC government announced the goals and targets for the development of the PRC sports sector under the 13th Five Year Plan in May 2016, which will reinforce its support for the development of China's sports industry. Moreover, the PRC government intends to encourage hosting of professional sporting events, construction of and improvement in sporting infrastructures, as well as promoting team sports in the PRC. With the hosting of the 2022 Winter Olympic Games and the Winter Paralympics in Beijing and Zhangjiakou, the PRC government is engaged in improving public awareness and participation in winter sports as well as constructing of winter sports facilities. We believe our business which specializes in construction, operation, development and management of air domes and ancillary facilities, is well positioned to benefit from the anticipated surge in interest in winter sports.

In general, the sports industry in China continued to report growth during 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 sport 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 to be held in 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 sport market demands brings about new opportunities to the current and future sport industry.

The Group, through its non-wholly owned subsidiary, MetaSpace (Beijing) Air Dome Corp* ("**MetaSpace**"), is the leading integrated service provider of construction operation and management of air dome facilities in the PRC. These air-supported domes are widely adapted for use in multi-functional facilities such as sport and recreational facilities, logistic and warehousing centres, industrial storage facilities as well as commercial exhibition space. Unlike the conventional structure, the air dome structure is less costly to build and to operate, more energy efficient and has short construction period and is easy to relocate and expand over an open space. Up to the end of 2018, MetaSpace has already constructed over 200 air dome facilities throughout the PRC. Currently, our major customers including sports & event organizers, government departments, real estate developers and warehouse operators. The Group will continue to invest in research and development in deploying start-of-the art technology in building high performance air dome facilities. The Group will continue to strive for combining advances in aeromechanics, new materials, ergonomics, energy saving and environmental protection to provide space for multi-functional facilities in order to satisfy and meet customers' need from different industry sectors.

MetaSpace has obtained over 100 intellectual property rights (including invention patents, patented air fight and insulation system, software, copyrights & trademarks, etc.) covering all key technologies in the construction and installation of air dome structure.

For the year ended 31 December 2018, the Group's revenue is mainly attributable to the construction service of air dome facilities which amounted to approximately HK$126.9 million, of which approximately 60% was for use in sport facilities, approximately 14% for use in warehouse facilities and the balance of approximately 26% for other functional purposes.

During the year, the Group also focused on operation and management of sport air dome facilities in Beijing, Nanchang and Taiyuan, which has contributed revenue of approximately HK$8.0 million to the Group.

Finally, the management is confident that being an integrated service provider of air dome facilities for multi-functional use will be our important part of the Group's business and lead the Group to success.

* *For identification only*

Logistics Business

During the year, the worldwide air cargo business is still highly competitive and our Group continued to face both direct and indirect competition with other integrated logistics services providers on a local, regional and international basis in the form of pricing and customers' network. These challenges put our air cargo logistics business under pressure to drive growth.

Although the economic growth has been slowdown in Europe and America during the year, the Group has succeeded in navigating new business opportunities in providing air cargo logistic service in Africa. Our Group will continue to strengthen its sales and marketing team in order to explore potential business opportunities in other markets in the nearly future. The management is confident that the performance will be improved in the coming future.

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 2018 (2017: 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 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 an 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 the agreement.

* *For identification only*

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 exceeds 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.

On 30 September 2018, the Board announced that the agreement in relation to the Capital Injection had lapsed and terminated. The Board considered that the termination of the agreement would not have any material adverse impact on the financial position and operation of the Group.

References should be made to the announcements of the Company dated 5 July 2018 and 7 December 2018 for the details of the Capital Injection.

SHAREHOLDER'S LOAN 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 was a Director and a substantial shareholder of the Company ("**Shareholders**") at the date of the loan agreement, 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$1,228,000) which is less than 5% of all applicable ratios and HK$3,000,000, this loan was fully-exempted from the approval of the shareholder of the Company, annual review and all disclosure requirements under the Chapter 14A of the Listing Rules pursuant to Rule 14A.76.

OVERALL FINANCIAL RESULTS

The Company is an investment holding company and its subsidiaries are principally engaged in investments in the sports and entertainment-related industry in the People's Republic of China (the "PRC") with focus in air dome construction, operation and management; as well as rendering of air freight services in the wholesale markets.

During the year under review, the Group achieved approximately HK$155.4 million in turnover comparing to approximately HK$156.8 million during the prior year. Gross profit was approximately HK$30.8 million comparing to the gross profit of approximately HK$39.3 million during the prior year. The overall gross profit ratio decreased from approximately 25.1% to approximately 19.8%.

The slightly decrease in turnover during the year was mainly because of the impact on the adoption of new HKFRS 15. If the previous HKFRS was adopted, the Company's turnover will be approximately HK$185.4 million, the gross profit will be approximately HK$43.9 million and the gross profit ratio will be approximately 23.7%.

Loss for the year attributable to owners of the Company was approximately HK$55.3 million as compared to approximately HK$24.1 million for the year ended 31 December 2017. Basic and diluted loss per share of the Company ("**Share(s)**") was approximately HK4.2 cents for the year ended 31 December 2018.

As at 31 December 2018, the balance of cash and cash equivalents was approximately HK$120.4 million (31 December 2017: approximately HK$139.5 million).

Other Income and Gains

The Group recorded other income and gains of HK$22.5 million during the year, compared to HK$74.1 million in 2017. The decrease was mainly attributable to the gain on disposal of investment properties and other of approximately HK$40.7 million for the year ended 31 December 2017.

Administrative Expenses

Administrative expenses for the year increased to HK$79.4 million, compared to HK$75.8 million of last year. 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 loan payable to the lender during the year.

Property, plant and equipment

Property, plant and equipment increased by HK$30.0 million which was mainly due to the transfer from investment property of HK$18.9 million during the year.

Goodwill

Goodwill of HK$37.7 million was mainly generated from the completion of the capital injection to MetaSpace on 18 April 2017 and the acquisition of Bodewei* on 28 February 2018, respectively.

Other intangible Assets

Other intangible assets of HK$22.9 million mainly represents patents, trademark, and software from MetaSpace acquired on 18 April 2017.

Contract Assets

Contract assets are initially recognised for performance of transferring goods or services to the customers before the customers pay consideration or acceptance by the customers. Upon completion of goods transferred or services rendered and acceptance by the customers, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2018 was the result of the increase in the ongoing provision of air dome construction services during the year.

Financial Assets at Fair Value through Other Comprehensive Income

It is reclassified from available-for-sale financial assets during the year, 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 two financial institutions 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 year ended 31 December 2018, the investment income recognised in the statement of profit or loss and the fair value loss recognised in the statement of other comprehensive income or loss amounted to HK$6,581,000 (2017: HK$3,236,000) and HK$9,304,000 (2017: HK$504,000), respectively.

The fair value of these corporate bonds is determined by reference to the quoted bid prices at the reporting date in the over-the counter markets. Going forward, the Group expects that these corporate bonds will suffer a minor loss at fair value in the short-run due to price volatility in light of the expected rise in interest rate by the US Federal Reserve from 2018 and the vulnerability of China's domestic debt market with tighter refinancing channels. However, the Group will maintain its strategy to hold these corporate bonds for long term purpose to earn an attractive yield and to minimize the risk of price fluctuations in the short-run and to eliminate unnecessary administrative and trading costs.

Nevertheless, the Group does not preclude the possibility of disposing any of the existing corporate bonds before maturity if such disposal will be in the best interest of the Company and its shareholders as a whole in light of the circumstances, such as perceived deterioration of financial health of the issuing company, vulnerability of default risk, and consideration of favorable redemption clause at the option of the bondholder.

Name of bond issuer	Name of bond	Investment cost *USD'000*	Fair Value as of 31 December 2018 *USD'000*	Percentage to the Group's total assets *%*	Change in fair value recognised in the year ended 31 December 2018 *USD'000*
Fantasia Holdings Group Company Ltd.	FANTASIA HOLDINGS GROUP 7.375% 4/10/2021	500	372	0.45%	139
Central China Real Estate Ltd.	CENTRAL CHN REAL ESTATE 6.75% 8/11/2021	504	479	0.58%	37
China Evergrande Group	CHINA EVERGRANDE GROUP 8.25% 23/3/2022	512	490	0.59%	58
China Evergrande Group	CHINA EVERGRANDE GROUP 6.25% 28/6/2021	488	492	0.60%	3
China Evergrande Group	CHINA EVERGRANDE GROUP 7.5% 28/6/2023	492	459	0.56%	53
China Evergrande Group	CHINA EVERGRANDE GROUP 8.75% 28/6/2025	500	422	0.51%	83
Oceanwide Holdings Co., Ltd.	OCEANWIDE HLDGS INTL 17 7.75% 27/7/2020	830	701	0.85%	114
Zhiyuan Group (BVI) Co., Ltd.	ZHIYUAN GROUP BVI CO LTD 6.2% 11/1/2019	1,513	1,527	1.85%	12
Oceanwide Holdings Co., Ltd.	OCEANWIDE HLDGS INTL 17 8.5% 28/5/2019	602	581	0.71%	39
Modern Land (China) Co., Ltd.	MODERN LAND CHINA CO LTD 6.875% 20/10/2019	498	481	0.58%	18
Panda Green Energy Group Ltd.	PANDA GREEN ENERGY GROUP 8.25% 25/1/2020	509	332	0.40%	176
Qinghai Provincial Investment Group Co., Ltd.	QINGHAI INVEST GROUP 7.25% 22/2/2020	525	424	0.51%	90
China South City Holdings Ltd.	CHINA SOUTH CITY HOLDING 5.75% 9/3/2020	488	429	0.52%	69
Powerlong Real Estate Holdings Ltd.	POWERLONG REAL ESTATE 5.95% 19/7/2020	496	494	0.60%	18
361 Degrees International Ltd.	361 DEGREES INTERNATIONA 7.25% 3/6/2021	535	481	0.58%	14
Qinghai Provincial Investment Group Co., Ltd.	QINGHAI INVEST GROUP 6.4% 10/7/2021	513	395	0.48%	105
Guangzhou R&F Properties Co., Ltd.	EASY TACTIC LTD 5.75% 13/1/22	498	466	0.57%	45
Nuoxi Capital Ltd.	NUOXI CAPITAL LTD 5.35% 24/1/2023	497	432	0.52%	70
Jinshine International Co., Ltd	JINSHINE INTERNATIONAL 6.75% 27/3/2021	496	458	0.56%	45
Total		10,996	9,915	12.03%	1,188
Equvialent to HK'000		85,852	77,658		9,304

Financial Assets at Fair Value through Profit or Loss

It is reclassified from short-term available-for-sale financial assets during the year, 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 year ended 31 December 2018, the investment income in respect of these wealth management productd recognised in the statement of profit or loss amounted to HK$4,011,000 (2017: HK$1,543,000).

Wealth management products	Revolving term	Yield	Fair value As at 31 December 2018 *RMB'000*	Fair value Percentage to the Group's total assets *%*	Investment cost *RMB'000*
Unusual Wealth Management Cui Zhu 9w Zhou Si Gong Xiang 06 (Special) FGAB09012B (非凡資產管理翠竹9w理財產品週四公享06款(特) FGAB09012B)	irredeemable	4.45%	19,200	3.40%	19,200
Stable Profit 28 Days (穩得利28天週期型)	irredeemable	3.80%	7,000	1.24%	7,000
Li Duo Duo Yue Ying Li35 Days Plan (利多多悅盈利35天計劃)	irredeemable	4.00%	8,500	1.51%	8,500
Wealth Bus Ambition No.2 (財富班車進取2號)	irredeemable	4.10%	10,000	1.77%	10,000
Ri Yi Yue Xin 90030 (日益月鑫90030)	irredeemable	4.00%	2,800	0.50%	2,800
Ri Yi Yue Xin 90030 日益月鑫90030	irredeemable	4.00%	17,500	3.10%	17,500
Total			65,000		65,000
Equivalent to HK$'000			74,013		74,013

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

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

Trade payables

The increase in trade payables by HK$33.2 million was mainly due to increase in trade payables to subcontractors for air dome construction services of comprehensive projects during the year.

Liquidity, Financial Resources and Gearing Ratio

The Group's net cash outflows from operating activities for the year under review amounted to approximately HK$82.5 million (2017: approximately HK$69.3 million). As at 31 December 2018, cash and cash equivalents amounted to approximately HK$120.4 million, representing a decrease of approximately HK$19.1 million as compared with the position as at 31 December 2017.

As at 31 December 2018, the gearing ratio (which is calculated by dividing total borrowings by total assets) was 0.96% (31 December 2017: Nil%). During year ended 31 December 2017 and 2018, the Group did not hedge its exposure to interest rate risk.

As at 31 December 2018, the Group had current assets of approximately HK$387.6 million (31 December 2017: approximately HK$415.0 million) and current liabilities of approximately HK$125.3 million (31 December 2017: approximately HK$66.7 million). The current ratio (which is calculated by dividing current assets by current liabilities) was approximately 3.09 (31 December 2017: approximately 6.22).

Capital Expenditure

The Group's capital expenditure was approximately HK$35.8 million (2017: approximately HK$76.6 million), representing additions to property, plant and equipment, investment properties and intangible assets including assets from the acquisition of subsidiaries.

Capital Commitment

As at 31 December 2018, the Group had capital commitments of approximately HK$135.9 million (2017: approximately HK$170.2 million).

Contingent Liabilities

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

Operating Lease Commitments

As at 31 December 2018, the Group had operating leases commitments of approximately HK$64.5 million (2017: approximately HK$101.0 million).

Charges on assets

As at 31 December 2018, the Group did not have any charge on assets.

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, recognised 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 ("**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 Citizen Court**").

On 1 November 2018, the Zhong Ji Citizen Court ruled that Miss Zhou lost the appeal and this ruling is the final decision of the court.

Save as discussed in the above, during the year ended 31 December 2018, 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had 145 full-time employees (2017: 115) 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.

* *For identification purpose only*

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$39.4 million (2017: approximately HK$33.9 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 2018 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. 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 2018.

FINAL DIVIDEND

The Board do not recommend the payment of any final dividend to the Shareholders for the year ended 31 December 2018 (2017: 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, 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 2018.

THE ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2018 will be despatched to the shareholders of the Company and published on the websites of Hong Kong Exchange and Clearing Limited and the Company in due course.

APPRECIATION

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

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

Hong Kong, 28 March 2019

As at the date of this announcement, the executive Directors are Mr. Liu Xue Heng, Mr. Jan Wing Fu, Barry, Mr. Zhu Shixing, Mr. Lam Ka Tak, Mr. Zhang Tingzhe and Mr. Tsui Ngai, Eddie, the non-executive Director is Mr. Hu Yebi, and the independent non-executive Directors are Mr. Tse Man Kit, Keith, Mr. Lok Lawrence Yuen Ming, Mr. Xin Luo Lin and Mr. Pan Lihui.