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HK1803

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

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1803)**

## **MEMORANDUM OF UNDERSTANDING IN RELATION TO THE POSSIBLE ACQUISITION**

On 1 November 2019 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the MOU in respect of the Acquisition. Pursuant to the MOU, the Purchaser intended to acquire the entire issued share capital of and the shareholder's loan owing by the Target Company.

The Target Company, through Chengdu Fuhui, its indirect wholly-owned subsidiary, owns certain rights, title and interests in the Logistics Investments and Logistics Debt.

Save for provisions on confidentiality, exclusivity, and the governing law of the MOU, the MOU is not legally binding. The Vendor and the Purchaser will use their respective best efforts to negotiate and enter into the Definitive Agreements prior to the end of the Exclusivity Period. Further announcement(s) in respect of the Acquisition in compliance with the Listing Rules will be made by the Company as and when appropriate.

**The Acquisition remains subject to the negotiation and execution of the Definitive Agreements which may or may not occur. As the MOU may or may not materialize, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

This is a voluntary announcement made by the Company.

On 1 November 2019 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the MOU in respect of the Acquisition.

## **THE MOU**

The principal terms of the MOU are set out as below:

- Purchaser : Sino Insight Investments Limited, a wholly-owned subsidiary of the Company
- Vendor : Groupsource Investments Limited
- Assets to be acquired : the entire issued share capital of the Target Company and the shareholder's loan owing by the Target Company to the Vendor (the "**Subject Assets**")
- Consideration : an amount (in HK\$ equivalent) to be determined based on or by reference to (i) RMB320 million and (ii) all interests accrued under the Investment Agreement and the Loan Agreements up to the date of the Definitive Agreements (net of tax provision) (the "**Consideration**")
- Payment Terms : the Consideration is expected to be primarily settled by the Company issuing CB convertible into 350,000,000 Shares and the balance will be settled by Promissory Notes to be issued by the Company to the Vendor.
- Conditions : Completion of the Acquisition is expected to be subject to:
- (1) the Purchaser being satisfied with the legal and financial due diligence on the Subject Assets;
  - (2) the transactions not being classified as an extreme transaction or a reverse takeover transaction under the Listing Rules for the Company;

- (3) the Stock Exchange granting the listing approval in respect of the Shares of the Company falling to be allotted and issued upon the exercise of the conversion rights attaching to the CB;
- (4) approval of the transactions by the Shareholders at the general meeting of the Company being obtained in accordance with the requirements of the Listing Rules;
- (5) approval of the transactions by Cosmopolitan's shareholders (other than those who are required by the Listing Rules to abstain from voting) being obtained including possible issue of new ordinary shares by Cosmopolitan for settlement of the Put Consideration or the Call Consideration (as applicable);
- (6) approval of the transactions by the respective shareholders of Century City and Paliburg as and when required under the Listing Rules; and
- (7) other conditions as may be agreed and set out in the Definitive Agreements.

Call/Put Option

- : It is contemplated that the Purchaser may grant a call option (the "**Call Option**") to the Vendor. Under the Call Option, the Vendor will have the right to require the Purchaser to sell the Subject Assets for a consideration ("**Call Consideration**") equal to 115% of the Consideration.

It is contemplated that the Vendor may grant a put option (the "**Put Option**") to the Purchaser. Under the Put Option, the Purchaser will have the right to require the Vendor to purchase the Subject Assets for a consideration (the "**Put Consideration**") equal to 100% of the Consideration.

It is contemplated that the Vendor will settle the Call Consideration or the Put Consideration (as applicable) as follows:

- (i) in cash;
- (ii) by surrendering any outstanding CB and/or the Promissory Notes (to be valued at its face value but any accrued coupon interest will be waived);
- (iii) by delivering new ordinary shares of Cosmopolitan; or
- (iv) by combination of (i), (ii) and/or (iii) as the Vendor may select.

For the purposes of (iii), the issue price of the shares of Cosmopolitan will be fixed at such price per share as stipulated under the terms of the Definitive Agreements.

Principal terms of CB/  
Promissory Notes : The principal amount of the CB together with the principal amount of the Promissory Notes is expected to be equal to Consideration.

The CB and the Promissory Notes will mature on the date falling 48 months after the date of issuance.

The CB and the Promissory Notes will bear interest at 3% per annum.

The CB and the Promissory Notes will be secured by a charge on the Subject Assets.

The CB and the Promissory Notes will be guaranteed by the Company if the Company is not the issuer.

Holder of CB will be entitled to convert the outstanding principal amount of the CB into 350,000,000 Shares at the initial CB conversion price. The initial CB conversion price is HK\$0.98 per Share, which represents:

- (i) a premium of approximately 188% over the closing price of HK\$0.34 per Share as quoted on the Stock Exchange on 1 November 2019, being the date of the MOU; and
- (ii) a premium of approximately 194% to HK\$0.333 per Share, being the average of the closing prices as quoted on the Stock Exchange for the five consecutive trading days up to and including 31 October 2019, being the trading day of the Shares immediately before the date of the MOU.

The CB conversion price is subject to adjustments, details of which will be set out in the definitive CB instrument.

Assuming the conversion rights have been exercised in full, 350,000,000 conversion shares will be allotted and issued at the initial conversion price, representing approximately (i) 26.88% of the issued share capital of the Company as at the date of this announcement and (ii) approximately 21.19% of the issued share capital of the Company as enlarged by the allotment and issue of such conversion shares (assuming no other change in the issued share capital of the Company).

Exclusivity : During the Exclusivity Period, except with the prior written consent of the Purchaser, none of the Vendor and its affiliates shall, directly or indirectly, among other things:

- (i) solicit or initiate any proposals or offers from any person other than Purchaser (any such party, a “**Third Party**”) relating to any investment, purchase, issuance or sale or other disposition of any equity securities or any material assets of the Target Company, the Subject Assets and the underlying assets;
- (ii) participate in any discussions or negotiations with a Third Party with respect to, or authorize, assist, propose or enter into a definitive agreement or an agreement in principle with a Third Party with respect to any competing transaction described in (i); or
- (iii) otherwise cooperate in any way with, or assist or participate in, or facilitate or encourage any effort by a Third Party to do or seek to do any of the foregoing or seek to circumvent the Acquisition or further a competing transaction described in (i).

## **INFORMATION ON THE TARGET GROUP**

The Target Company, through Chengdu Fuhui, its indirect wholly-owned subsidiary, owns certain rights, title and interests in the Logistics Investments and the Logistics Debt.

### **Logistics Investments**

Prior to the date of this announcement, Chengdu Fuhui, Mr. Huang and Yuancheng Logistics entered into agreements (as supplemented from time to time) (the “**Investment Agreement**”) in relation to a possible acquisition of a majority stake in Yuancheng Logistics or the major businesses of Yuancheng Logistics by Chengdu Fuhui. A deposit in the total sum of RMB170,000,000 had been paid by Chengdu Fuhui under the Investment Agreement. As at the date of this announcement, the aforesaid investment in Yuancheng Logistics (the “**Logistics Investments**”) has not materialized and the deposit paid thereunder has not been returned or repaid.

## **Logistics Debt**

Prior to the date of this announcement, Chengdu Fuhui (as lender) granted to Yuancheng Logistics (as borrower) a secured loan facility in the aggregate principal amount of RMB150,000,000 pursuant to the terms of the loan agreements (as supplemented from time to time) entered into between Chengdu Fuhui and Yuancheng Logistics (the “**Loan Agreements**”). As at the date of this announcement, the outstanding loans advanced by Chengdu Fuhui and the interests accrued thereon (collectively, the “**Logistics Debt**”) have not been returned or repaid.

To the best of the knowledge of the Directors, Yuancheng Logistics is a sizeable logistics services provider in the PRC. Its principal business activities are the provision of logistics and express delivery services and the development and operation of logistics parks in the PRC.

To the best of the knowledge of the Directors, Yuancheng Logistics and the ultimate beneficial owners of Yuancheng Logistics are third parties independent of and not connected with the Company and connected persons of the Company.

## **REASONS FOR THE ACQUISITION**

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 with focus in air dome construction, operation and management; as well as rendering air freight logistics services in the wholesale market. As disclosed in the interim report of the Company for the six months ended 30 June 2019, in respect of the Group’s logistics business, the Group will continue to explore potential business opportunities in other markets in the near future. The Directors believe that the Logistics Investments represent valuable businesses opportunities in the PRC that will enhance the development of the Group’s logistics business. The Acquisition is therefore in line with Company’s strategy and business objective. The Company will make further announcement(s) as and when appropriate and comply with all applicable requirements under the Listing Rules.

## **INFORMATION ON THE VENDOR**

To the best knowledge of the Directors, the Vendor is principally engaged in investment holding. The Vendor is a wholly-owned subsidiary of Cosmopolitan. Cosmopolitan is a listed subsidiary of P&R Holdings Limited, which is in turn owned by Paliburg and Regal as to 50% each. As Regal is a listed subsidiary of Paliburg and Century City, Cosmopolitan is therefore a listed subsidiary of Paliburg and Century City.

To the best knowledge of the Directors, each of Paliburg and Regal held approximately 7.6% equity interest in the Company immediately prior to the date of this announcement. As informed by Paliburg and Regal, each of them has ceased to hold the aforesaid interests in the Company as at the date of this announcement. Save for the aforesaid, to the best knowledge of the Directors, each of the Vendor, Cosmopolitan, P&R Holdings Limited, Paliburg, Regal and Century City is independent of and not connected with the Company and connected persons of the Company as at the date of this announcement.

## **GENERAL**

The Acquisition, if materialised, could constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. Further announcement(s) will be made by the Company in compliance with the Listing Rules as and when appropriate.

**The Acquisition remains subject to the negotiation and execution of the Definitive Agreements which may or may not occur. As the MOU may or may not materialize, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Acquisition”	the possible acquisition by the Purchaser of the Subject Assets from the Vendor
“Board”	the board of Directors



“Call Consideration”	as defined in the paragraph headed “The MOU” in this announcement
“Call Option”	as defined in the paragraph headed “The MOU” in this announcement
“CB”	convertible bonds to be issued by the Company to the Vendor, the key terms of which are set out in the paragraph headed “The MOU” in this announcement
“Century City”	Century City International Holdings Limited, a company incorporated in Bermuda with limited liability, the issued ordinary shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 355)
“Chengdu Fuhui”	成都富薈實業有限公司 (Chengdu Fuhui Company Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Target Company
“Company”	Beijing Sports and Entertainment Industry Group Limited, a company incorporated in the Cayman Islands, whose Shares are listed on the Main Board (stock code: 1803)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	as defined in the paragraph headed “The MOU” in this announcement
“Cosmopolitan”	Cosmopolitan International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued ordinary shares of which are listed on the Main Board of the Stock Exchange (stock code: 120)

\* *for identification only*

“Definitive Agreement(s)”	the formal legally-binding agreement(s) that may be entered into between the Purchaser and the Vendor in connection with the MOU in the event that the parties proceed with the Acquisition
“Director(s)”	the director(s) of the Company
“Exclusivity Period”	the period of 45 days from and including the date of the MOU or such longer period as may be agreed between the parties
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Investment Agreement”	as defined in the paragraph headed “INFORMATION ON THE TARGET GROUP” in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreements”	as defined in the paragraph headed “INFORMATION ON THE TARGET GROUP” in this announcement
“Logistics Debt”	as defined in the paragraph headed “INFORMATION ON THE TARGET GROUP” in this announcement
“Logistics Investments”	as defined in the paragraph headed “INFORMATION ON THE TARGET GROUP” in this announcement
“MOU”	the non-legally binding memorandum of understanding dated 1 November 2019 entered into between the Purchaser and the Vendor setting out the preliminary understanding in relation to the Acquisition

“Mr. Huang”	黃遠成 (Huang Yuancheng), a citizen of PRC and the controlling shareholder of Yuancheng Logistics
“Paliburg”	Paliburg Holdings Limited, a company incorporated in Bermuda, the issued ordinary shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 617)
“PRC”	the People’s Republic of China
“Promissory Notes”	promissory notes to be issued by the Company to the Vendor, the key terms of which are set out in the paragraph headed “The MOU” in this announcement
“Purchaser”	Sino Insight Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Put Consideration”	as defined in the paragraph headed “The MOU” in this announcement
“Put Option”	as defined in the paragraph headed “The MOU” in this announcement
“Regal”	Regal Hotels International Holdings Limited, a company incorporated in Bermuda, the issued ordinary shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 78)
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subject Assets”	as defined in the paragraph headed “The MOU” in this announcement
“Target Company”	Cosmopolitan International Development Limited, a company incorporated in the British Virgin Islands with limited liability and which is wholly owned by the Vendor as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Groupsource Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“Yuancheng Logistics”	遠成物流股份有限公司 (Yuancheng Logistics Company Limited*), a company established in the PRC with limited liability
“%”	per cent.

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

Hong Kong, 1 November 2019

*As at the date of this announcement, the executive Directors are Mr. Liu Xue Heng, 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.*

\* for identification only