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 2019

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 2019, together with the comparative figures for the year 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	4,5	**175,932**	155,361
Cost of sales		**(127,227)**	(124,529)
Gross profit		**48,705**	30,832
Other income and gains	5	**19,653**	22,554
Selling and distribution expenses		**(8,642)**	(10,562)
Administrative expenses		**(59,207)**	(79,418)
Impairment losses on financial and contract assets		**(41,377)**	(8,193)
Other expenses and losses		**(28,707)**	(20,558)
Finance costs		**(4,256)**	(117)
Share of loss of an associate		**(60)**	(96)
LOSS BEFORE TAX	6	**(73,891)**	(65,558)
Income tax expense	7	**(350)**	(1,247)
LOSS FOR THE YEAR		**(74,241)**	(66,805)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Debt investments at fair value through other comprehensive income			
Changes in fair value		**(1,350)**	(9,304)
Reclassification adjustments for gains/(losses) included in profit or loss:			
Gains/(losses) on disposal		**884**	(554)
Impairment losses		**1,910**	–
Income tax effect		**(238)**	1,626
		1,206	(8,232)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
YEAR ENDED 31 DECEMBER 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Exchange differences:			
Exchange differences on translation of foreign operations		**321**	(1,916)
Reclassification adjustments for foreign operations disposed of during the year		**–**	(403)
		321	(2,319)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**1,527**	(10,551)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**1,527**	(10,551)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(72,714)**	(77,356)
Loss attributable to:			
Owners of the Company		**(63,417)**	(55,275)
Non-controlling interests		**(10,824)**	(11,530)
		(74,241)	(66,805)
Total comprehensive loss attributable to:			
Owners of the Company		**(59,979)**	(60,378)
Non-controlling interests		**(12,735)**	(16,978)
		(72,714)	(77,356)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*8*		
Basic and diluted		**HK(4.9) cents**	HK(4.2) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**62,532**	48,702
Investment properties		**20,842**	–
Goodwill		**37,692**	37,692
Right-of-use assets		**39,666**	–
Prepaid land lease payment		**–**	23,371
Other intangible assets		**11,589**	22,887
Investment in an associate		**106**	166
Prepayments, other receivables and other assets		**7,967**	22,226
Contract assets		**11,637**	16,778
Trade receivables	*9*	**1,670**	377
Debt investments at fair value through other comprehensive income		**67,576**	57,378
Financial assets at fair value through profit or loss		**25,203**	–
Deferred tax assets		**17,671**	7,903
Total non-current assets		**304,151**	237,480
CURRENT ASSETS			
Inventories		**7,615**	4,832
Contract assets		**69,200**	77,842
Trade and bills receivables	*9*	**84,007**	70,695
Prepayments, other receivables and other assets		**9,772**	35,875
Debt investments at fair value through other comprehensive income		**29,098**	20,280
Financial assets at fair value through profit or loss		**72,056**	74,013
Restricted bank deposits		**5,584**	1,415
Cash and bank balances		**128,657**	120,357
Total current assets		**405,989**	405,309

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
31 DECEMBER 2019

	Notes	2019 HK$'000	2018 HK$'000
CURRENT LIABILITIES			
Trade and bills payables	*10*	**107,496**	65,452
Other payables and accruals		**70,042**	46,871
Interest-bearing bank and other borrowings		**33,480**	4,944
Lease liabilities		**11,223**	–
Loan from a related party		**–**	1,228
Tax payable		**10,484**	6,768
Total current liabilities		**232,725**	125,263
NET CURRENT ASSETS		**173,264**	280,046
TOTAL ASSETS LESS CURRENT LIABILITIES		**477,415**	517,526
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**22,600**	–
Lease liabilities		**10,712**	–
Deferred tax liabilities		**2,432**	3,352
Total non-current liabilities		**35,744**	3,352
Net assets		**441,671**	514,174
EQUITY			
Equity attributable to owners of the Company			
Share capital	*11*	**6,510**	6,532
Reserves		**332,181**	392,139
		338,691	398,671
Non-controlling interests		**102,980**	115,503
Total equity		**441,671**	514,174

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. The Company and its subsidiaries (together, the "Group") are principally engaged 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 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 ("HKICPA"), 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 fair value through other comprehensive income ("FVOCI"), financial assets at fair value through profit or loss ("FVPL") and bills receivable, which have been measured at fair value. These financial statements are presented in Hong Kong dollars 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 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income/(loss) is reclassified to profit or loss or accumulated losses, 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 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKFRS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKFRS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 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) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of accumulated losses at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various buildings, land use rights and motor vehicles. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leases previously accounted for as operating leases and entered into for earning sublease rental income, the related right-of-use assets of the head leases amounting to HK$74,847,000 were measured at cost at 1 January 2019, and have been accounted for and classified as investment properties applying HKAS 40 from that date.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Relying on the entity's assessment of whether leases were onerous by applying HKAS 37 immediately before 1 January 2019 as an alternative to performing an impairment review, and excluding initial direct costs from the measurement of the right-of-use assets at the date of initial application

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *HK$'000*
Assets	
Increase in investment properties	21,384
Increase in right-of-use assets	45,172
Decrease in prepaid land lease payments	(23,371)
Decrease in prepayments, other receivables and other assets	(3,680)
Increase in total assets	39,505
Liabilities	
Increase in lease liabilities	39,505
Increase in total liabilities	39,505

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$'000
Operating lease commitments as at 31 December 2018	64,464
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(378)
	64,086
Weighted average incremental borrowing rate as at 1 January 2019	10%
Discounted operating lease commitments and lease liabilities as at 1 January 2019	39,505

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

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 engaging 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 loss, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, investment income from financial assets at FVPL, investment income from debt investment at FVOCI, impairment of debt investments at FVOCI, net, gain/loss from disposal of subsidiaries, non-lease-related finance costs as well as head office and corporate expenses are excluded from such measurement.

Year ended 31 December 2019	**Sports and entertainment** *HK$'000*	**Logistics** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Segment revenue				
Sales to external customers	**168,052**	**170**	**7,710**	**175,932**
Segment results	**(61,383)**	**(6,230)**	**(773)**	**(68,386)**
Reconciliation:				
Interest income				**2,581**
Investment income from financial assets at FVPL				**6,290**
Investment income from debt investments at FVOCI				**8,069**
Impairment of debt investments at FVOCI, net				**(1,910)**
Loss from disposal of subsidiaries				**(1,108)**
Corporate and unallocated expenses				**(18,663)**
Finance costs (other than interest on lease liabilities)				**(764)**
Loss before tax				**(73,891)**

Year ended 31 December 2019	**Sports and entertainment** *HK$'000*	**Logistics** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Other segment information:				
Impairment of trade receivables, net	**13,762**	**–**	**21**	**13,783**
Impairment of contract assets, net	**2,367**	**–**	**–**	**2,367**
Impairment of other receivables, net	**23,317**	**–**	**–**	**23,317**
Impairment of investment properties	**252**	**–**	**–**	**252**
Impairment of property, plant and equipment	**15,860**	**–**	**–**	**15,860**
Loss on disposal of property, plant and equipment	**475**	**–**	**–**	**475**
Depreciation and amortisation	**20,449**	**24**	**–**	**20,473**
Capital expenditure*	**56,729**	**–**	**–**	**56,729**

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				1,766
Investment income from financial assets at FVPL				4,011
Investment income from debt investments at FVOCI				6,581
Impairment of debt investments at FVOCI, net				758
Gain from disposal of subsidiaries				8,170
Corporate and unallocated expenses				(27,695)
Finance costs				(117)
Loss before tax				(65,558)
Other segment information:				
Impairment of trade receivables, net	7,786	–	–	7,786
Impairment of contract assets, net	4,472	–	–	4,472
Impairment of other receivables, net	(3,307)	–	–	(3,307)
Impairment of property, plant and equipment	3,390	–	–	3,390
Gain on disposal of property, plant and equipment	(5)	–	–	(5)
Depreciation and amortisation	14,824	86	–	14,910
Capital expenditure*	35,754	–	–	35,754

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

Geographical information

(a) Revenue from external customers

	2019	2018
	HK$'000	*HK$'000*
Mainland China	**175,932**	155,299
Hong Kong	**–**	62
	175,932	155,361

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2019	2018
	HK$'000	*HK$'000*
Mainland China	**158,285**	136,782
Hong Kong	**35,416**	35,417
	193,701	172,199

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about a major customer

In 2019, revenue of approximately HK$33,722,000 was derived from provision of air dome construction services by sports and entertainment segment to a single customer. In 2018, revenue of approximately HK$16,123,000 was derived from provision of air dome construction services by sports and entertainment segment to another single customer.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers	**175,932**	155,361

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

Segments	**Sports and entertainment**	**Logistics**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Types of goods or services				
Provision of air dome construction services	**154,980**	**–**	**–**	**154,980**
Rendering of operation and management services and other sports related services	**13,072**	**–**	**–**	**13,072**
Rendering of air freight services	**–**	**170**	**–**	**170**
Sale of goods	**–**	**–**	**7,710**	**7,710**
Total revenue from contracts with customers	**168,052**	**170**	**7,710**	**175,932**
Timing of revenue recognition				
Goods/services transferred at a point in time	**20,474**	**170**	**7,710**	**28,354**
Services transferred over time	**147,578**	**–**	**–**	**147,578**
Total revenue from contracts with customers	**168,052**	**170**	**7,710**	**175,932**

For the year ended 31 December 2018

Segments	**Sports and entertainment** *HK$'000*	**Logistics** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'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
Total revenue from contracts with customers	143,442	491	11,428	155,361
Timing of revenue recognition				
Goods/services transferred at a point in time	24,269	491	11,428	36,188
Services transferred over time	119,173	–	–	119,173
Total revenue from contracts with customers	143,442	491	11,428	155,361

During the year, the Group recognised revenue of HK$2,423,000 (2018: Nil) that were included in the contract liabilities in respect of the rendering of operation and management services and other sports related services at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods.

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Provision of air dome construction services and rendering of operation and management services and other sports related services

The performance obligation is satisfied over time or at the point in times as services are rendered.

Rendering of air freight services

The performance obligation is satisfied in one point when the freight services are completed.

Sale of goods

The performance obligation is satisfied upon delivery of the goods and the payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2019	2018
	HK$'000	*HK$'000*
Amounts expected to be recognised as revenue:		
Within one year	**123,719**	107,914
After one year	**7,710**	15,881
	131,429	123,795

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to provision air dome construction services and rendering of other sports and entertainment services of which the performance obligations are generally to be satisfied within one to three years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2019	2018
	HK$'000	*HK$'000*
Other income		
Bank interest income	**198**	612
Other interest income	**2,383**	1,154
Investment income from financial assets at FVPL	**6,290**	4,011
Investment income from debt investments at FVOCI	**8,069**	6,581
Gross rental income from investment property operating leases	**1,943**	438
	18,883	12,796
Gains		
Gain on disposal of subsidiaries	**–**	8,170
Government subsidies	**56**	595
Others	**714**	993
	770	9,758
	19,653	22,554

6. LOSS BEFORE TAX

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

	2019	2018
	HK$'000	*HK$'000*
Cost of construction contracts	**95,570**	85,296
Cost of services provided	**2,061**	8,472
Cost of inventories sold	**6,800**	11,086
Depreciation of property, plant and equipment	**2,835**	3,461
Depreciation of investment properties	**2,670**	348
Depreciation of right-of-use assets (2018: amortisation of land lease payments)	**3,576**	–
Amortisation of intangible assets	**11,392**	11,101
Research and development costs	**13,097**	9,354
Minimum lease payments under operating leases	**–**	12,660
Lease payments not included in the measurement of lease liabilities	**4,973**	–
Auditor's remuneration	**2,765**	2,885
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages and salaries	**27,435**	27,761
Equity-settled share option expense	**521**	2,920
Pension scheme contributions	**7,435**	8,737
	35,391	39,418
Foreign exchange differences, net*	**7,914**	15,379
Impairment of property, plant and equipment*	**15,860**	3,390
Impairment of investment properties*	**252**	–
Impairment of financial and contract assets:		
Impairment of trade receivables, net	**13,783**	7,786
Impairment of contract assets, net	**2,367**	4,472
Impairment of debt investments at FVOCI, net	**1,910**	(758)
Impairment of other receivables, net	**23,317**	(3,307)
Loss/(gain) on disposal of property, plant and equipment*	**475**	(5)
Loss/(gain) on disposal of subsidiaries*	**1,108**	(8,170)

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

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for the Company (2018: one subsidiary of the Group), which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 (2018: HK$2,000,000) of assessable profits of this entity is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The Group's operations in Mainland China are subject to the 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%.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

	2019	2018
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**888**	3,859
Current – Mainland China		
Charge for the year	**10,724**	6,846
Overprovision in prior years	**(39)**	–
Deferred	**(11,223)**	(9,458)
Total tax charge for the year	**350**	1,247

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 ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,305,239,021 (2018: 1,303,474,816) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2019 and 2018 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

	2019	2018
	HK$'000	*HK$'000*
Trade and bills receivables	**109,161**	81,357
Impairment	**(23,484)**	(10,285)
	85,677	71,072
Trade receivables		
Non-current	**1,670**	377
Current	**84,007**	61,568
	85,677	61,945
Bills receivable		
Current	**–**	9,127
	85,677	71,072

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. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2019	2018
	HK$'000	*HK$'000*
Within 1 year	**60,207**	40,410
1 to 2 years	**20,722**	13,630
2 to 3 years	**3,447**	6,142
Over 3 years	**1,301**	1,763
	85,677	61,945

10. TRADE AND BILLS PAYABLES

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

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**55,322**	27,042
1 to 2 months	**25,288**	18,199
2 to 3 months	**7,718**	5,018
Over 3 months	**19,168**	15,193
	107,496	65,452

The trade and bills payables are non-interest-bearing. The trade payable are normally settled on terms of 30 to 60 days upon receipts of suppliers' invoices, while bills payable are normally settled on terms of 180 days upon issuance of bills.

11. SHARE CAPITAL

Shares

	2019	2018
	HK$'000	*HK$'000*
Authorised:		
4,000,000,000 (2018: 4,000,000,000) ordinary shares of HK$0.005 each	**20,000**	20,000
Issued and fully paid:		
1,302,019,000 (2018: 1,306,430,400) ordinary shares of HK$0.005 each	**6,510**	6,532

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 2018	1,296,792,900	6,484
Share options exercised *(Note (a))*	9,637,500	48
At 31 December 2018 and 1 January 2019	1,306,430,400	6,532
Share options exercised *(Note (a))*	3,338,600	17
Shares repurchased and cancelled *(Note (b))*	(7,750,000)	(39)
At 31 December 2019	1,302,019,000	6,510

Notes:

(a) The subscription rights attaching to 3,338,600 (2018: 9,637,500) share options were exercised at the subscription price of HK$0.764 per share, resulting in the issue of 3,338,600 (2018: 9,637,500) shares for a total cash consideration, before expenses, of approximately HK$2,551,000 (2018: HK$7,363,000). An amount of approximately HK$1,658,000 (2018: HK$4,512,000) was transferred from the share-based payment reserve to the share premium account upon the exercise of the share options.

(b) The Company purchased 7,750,000 of its shares on The Stock Exchange of Hong Kong Limited for a total consideration of approximately HK$3,318,000. The purchased shares were cancelled during the year.

12. DISPOSAL OF SUBSIDIARIES

	2019	2018
	HK$'000	*HK$'000*
Net assets disposed of:		
Investment properties	**22,263**	–
Trade receivables	**–**	13
Prepayments, other receivables and other assets	**–**	10,719
Cash and bank balances	**–**	615
Trade payables	**–**	(239)
Other payables and accruals	**(44)**	(8,774)
Lease liabilities	**(21,323)**	–
Tax payable	**–**	(9,837)
Deferred tax liabilities	**–**	(196)
Non-controlling interests	**212**	(68)
	1,108	(7,767)
Exchange fluctuation reserves	**–**	(403)
	–	(8,170)
Gain/(loss) on disposal of subsidiaries	**(1,108)**	8,170
Satisfied by:		
Cash	**–**	–

13. EVENT AFTER REPORTING PERIOD

The unexpected outbreak of coronavirus ("**COVID-19**") has certain impacts on the business operation of the Group. The magnitude of the impacts depends on the situation of the epidemic preventive measures, the duration of the epidemic and the implementation of regulatory policies. Management of the Group is committed to closely monitor the development of the COVID-19, proactively assess its impacts to the business operation of the Group and take necessary action to mitigate the business risk arising from the COVID-19. Up to the date of this announcement, the assessment is still in progress.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Sports and Entertainment Business

In 2019, the National Bureau of Statistics and the General Administration of Sports of China jointly issued the "2017 National Sports Industry Total Scale and Value Added Data Announcement". In 2017, the total production scale of the sports industry in China was RMB2.2 trillion, recorded an increase of RMB781.1 billion. There was an increase of 15.7% compared with 2016, and the added value increased by 20.6%. The data in the report shows that the construction of fitness facilities such as stadiums, fitness trails and sports parks in China has been increased continuously with a growth rate of 94.7%, this reflected a rapid development in constructing of sports facilities in China.

In general, the sports industry in China continued to report growth during 2019. 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 sport 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. 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 demand shall bring 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 adopted 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 2019, MetaSpace has already constructed over 240 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 110 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.

During the year under review, the global market is volatile because of the trade war between China and United States as well as the uncertainties about Brexit process in the United Kingdom. The increasingly challenging marco environment and global economic slowdown also affect the economic growth in China.

However, under this challenging environment, the revenue of our sports and entertainment segment was approximately HK$168.1 million for year ended 31 December 2019 compare with approximately HK$143.4 million in the corresponding period and represented a increase of 17.2%.

The increase mainly due to the increase in number of construction air dome facilities and the average contract size has increased by approximately 25% compared with last year. Meanwhile other than concentrated on the construction services of air dome in sport and entertainment facilities, we also increased our focus in the market related to industrial facilities, environmental protection facilities, and warehouse facilities.

For the year ended 31 December 2019, the Group's revenue was mainly attributable to the construction service of air dome facilities which amounted to approximately HK$155.0 million of which approximately 63% was for use in sport facilities and approximately 22% for use in warehouse facilities services of air dome facilities, 5% for use in agricultural facilities and the balance of approximately 10% for other functional purposes.

Other than construction services, the Group also focused on operation and management of sport air dome facilities in Beijing, Nanchang and Taiyuan which contributed revenue of approximately HK$7.4 million to the Group.

Looking forward to 2020, the Phase 1 economic and trade agreement between China and the U.S. have been confirmed, it will be beneficial to stabilizing the world economic and trade development. However, this may not be the end of the competition between the two countries. There are still many issues that required more time to negotiate. It caused more uncertainty in the macroeconomic environment.

The more challenging environment is coming due to the outbreak of the COVID-19 epidemic at the beginning of the year and has already spread throughout the world at the date of this announcement. It may lead to the global economic downturn and recession. Our business may fluent by the epidemic and also the economic growth in China, the extent of the impact depends on how long the epidemic is under control.

Facing the current challenges, the management will closely monitor the situation and formulate relevant strategies as required.

Logistics Business

During the year, the worldwide air cargo business is still highly competitive and our Group continued to face directly and indirectly completion 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 wordwise during the year, our Group will continue to strengthen its sales and marketing team in order to explore potential business opportunities in other markets in the near 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 2019 (2018: 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.

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 with focus in air dome construction, operation and management; as well as rendering of air freight logistics services in the wholesale market.

During the year under review, the Group achieved approximately HK$175.9 million in turnover comparing to approximately HK$155.4 million during the prior year. Gross profit was approximately HK$48.7 million comparing to the gross profit of approximately HK$30.8 million during the corresponding period of last year. The overall gross profit ratio increased from approximately 19.8% to approximately 27.7%.

The increase in turnover mainly due to the increase in number of construction air dome facilities and the average contract size has increased by approximately 25% compared with last year.

Loss for the year attributable to owners of the Company was approximately HK$63.4 million as compared to approximately HK$55.3 million in the year ended 31 December 2018. Basic and diluted loss per share attributable to owners of the Company was approximately HK$4.9 cents (31 December 2018: approximately HK$4.2 cents).

As at 31 December 2019, the balance of cash and cash equivalents was approximately HK$128.7 million (31 December 2018: approximately HK$120.4 million).

Other Income and Gains

The Group recorded other income and gains, net of HK$19.7 million during the year, compared to HK$22.6 million in 2018. The decrease was mainly attributable to the gain on disposal of subsidiaries of approximately HK$8.2 million was recognized in the last year.

Administrative Expenses

Administrative expenses for the year decreased to HK$59.2 million, compared to HK$79.4 million of last year. The cost control was implemented successfully during the year and it lead to a significant decrease in administrative expenses. The decrease was mainly due to the decrease in salaries and allowances of HK$12.0 million, share-based payment expenses of HK$3.5 million and legal and professional fees of HK$2.9 million.

Impairment loss on financial and contract assets

The impairment loss on financial and contract assets mainly represented the expected credit loss of the trade receivables of HK$13.8 million and contract assets of HK$2.4 million, impairment of other receivables and prepayment of HK$23.3 million and the expected credit loss on financial assets are fair value through other comprehensive income of HK$1.9 million.

Other expenses and losses

The other expenses and losses mainly represented the impairment of construction in progress of approximately HK$15.9 million relating to the construction process of a sport and recreation park being terminated and the exchange losses of approximately HK$7.9 million.

Finance Costs

Finance costs mainly represented the interests on the interest-bearing borrowings of approximately HK$0.7 million and interests on lease liabilities of approximately HK$3.5 million.

Property, plant and equipment

Property, plant and equipment increased by HK$13.8 million which was mainly due to the increase in construction in progress of the new factory of our production line related to the construction air dome services.

Goodwill

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

Intangible Assets

Intangible assets for HK$11.6 million mainly represents patents, trademark and software from MetaSapce.

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 decrease in contract assets in 2019 was the result of more contract assets are reclassified to trade receivables during the year.

Financial Assets at Fair Value through Other Comprehensive Income

Financial assets at fair value through other comprehensive income represents corporate bonds purchased by the Company and its wholly-owned subsidiary, 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 2019, 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$8,069,000 (2018: HK$6,581,000) and HK$1,350,000 (2018: HK$9,304,000), 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 global economic uncertain 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 shortrun 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**	**Fair Value as of 31 December 2019**	**Percentage to the Group's total assets**	**Change in fair value recognised in the year ended 31 December 2019**
		USD'000	*USD'000*	*%*	*USD'000*
Panda Green Energy Group Ltd.	PANDA GREEN ENERGY GROUP 8.25% 25/1/2020	509	485	0.53	157
Baoxin Auto Finance Ltd.	BAOXIN AUTO FINANCE I LT 7.9% 9/2/2020	1,000	1,011	1.11	(20)
Qinghai Provincial Investment Group Co., Ltd.	QINGHAI INVEST GROUP 7.25% 22/2/2020	525	309	0.34	(106)
China South City Holdings Ltd.	CHINA SOUTH CITY HOLDING 5.75% 9/3/2020	488	500	0.55	70
Powerlong Real Estate Holdings Ltd.	POWERLONG REAL ESTATE 5.95% 19/7/2020	496	514	0.56	18
Oceanwide Holdings Co., Ltd.	OCEANWIDE HLDGS INTL 17 7.75% 27/7/2020	830	712	0.78	11
Gemstonces International Limited	GEMSTONES INTERNATIONAL 8.5% 15/8/2020	196	210	0.22	7
Kaisa Group Holdings Ltd	KAISA GROUP HOLDINGS LTD 11.75% 26/2/2021	499	544	0.60	25
China South City Holdings Ltd.	CHINA SOUTH CITY HOLDING 11.875% 27/3/2021	500	508	0.56	(7)
361 Degrees International Ltd.	361 DEGREES INTERNATIONA 7.25% 3/6/2021	535	384	0.42	(83)
China Evergrande Group	CHINA EVERGRANDE GROUP 6.25% 28/6/2021	488	471	0.52	(24)
Qinghai Provincial Investment Group Co., Ltd.	QINGHAI INVEST GROUP 6.4% 10/7/2021	513	201	0.22	(191)
Fantasia Holdings Group Company Ltd.	FANTASIA HOLDINGS GROUP 7.375% 4/10/2021	500	498	0.55	126

Name of bond issuer	Name of bond	Investment cost	Fair Value as of 31 December 2019	Percentage to the Group's total assets	Change in fair value recognised in the year ended 31 December 2019
		USD'000	*USD'000*	*%*	*USD'000*
Modern Land (China) Co., Ltd	MODERN LAND CHINA CO LTD 12.85% 25/10/2021	500	492	0.54	(19)
Central China Real Estate Ltd.	CENTRAL CHN REAL ESTATE 6.75% 8/11/2021	504	503	0.55	25
Guangzhou R&F Properties Co., Ltd.	EASY TACTIC LTD 5.75% 13/1/2022	498	491	0.54	38
Chengdu Economic and Technological Development Zone State-Owned Assets Investment Co., Ltd.	CD ECO TECH SA 7.5% 12/2/2022	801	833	0.91	9
China Evergrande Group	CHINA EVERGRANDE GROUP 8.25% 23/3/2022	512	479	0.52	(9)
Kaisa Group Holdings Ltd.	KAISA GROUP HOLDINGS LTD 11.25% 9/4/2022	367	370	0.41	4
Fantasia Holdings Group Ltd	FANTASIA HOLDINGS GROUP 11.75% 17/4/2022	334	356	0.39	12
Kaisa Group Holdings Ltd.	KAISA GROUP HOLDINGS LTD 11.5% 30/1/2023	428	470	0.52	18
Nuoxi Capital Ltd.	NUOXI CAPITAL LTD 5.35% 24/1/2023	497	192	0.21	(241)
China Evergrande Group	CHINA EVERGRANDE GROUP 7.5% 28/6/2023	492	435	0.48	(22)
China Evergrande Group	CHINA EVERGRANDE GROUP 8.75% 28/6/2025	500	429	0.47	7
Tianjin State-Owned Capital Investment & Management Co Ltd	TIANJIN INVST MANAGEMENT 0.15% 17/12/2026	504	504	0.55	–
Agile Group Holdings Ltd.	AGILE GROUP HOLDINGS LTD FIX-TO VARIABLE (PERP) 8.375%	500	525	0.57	22
Total			12,426		(173)
Equvialent to HK'000			96,674		(1,350)

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss represents the subscription of wealth management products issued by licensed banks in the PRC and an equity investment trading on the National Equities Exchange and Quotation Company (the "**NEEQC**") in the PRC. These wealth management products are measured at fair value and were subscribed by the Company through some non-wholly owned subsidiaries for short-term treasury management purpose and the equity investment was held for long-term capital appreciation. During the year ended 31 December 2019, the investment income in respect of these wealth management products in some non-wholly owned subsidiaries recognised in the statement of profit or loss and other comprehensive income amounted to HK$3.3 million (2018: HK$4.0 million).

Wealth management products	**Revolving term**	**Yield**	**Fair value as at 31 December 2019** *RMB'000*	**Percentage to the Group's total assets** *%*	**Investment cost** *RMB'000*
ICBC Wealth management 「Tian Li Bao」 Net Worth Wealth Management Product (XLT1801) 工銀理財「添利寶」淨值型理財產品(XLT1801)	redeemable on due date	3.68%	8,093	1.27	8,000
Weath Bus Ambition No.4 財富班車進取4號(180天)	redeemable on due date	3.80%	13,016	2.04	13,000
180 days 「Yun tong caifu·wen de li」 「蘊通財富穩得利」180天週期型	redeemable on due date	3.65%	6,007	0.94	6,000
Li duo duo No.1 Cash Management 利多多現金管理1號	redeemable on due date	2.20%	510	0.08	500
Ri Yi Yue Xian Wealth Management Plan B 日益月鑫理財計劃B款	redeemable on due date	3.45%	501	0.08	500
China Merchants Bank ju yisheng jin Wealth Management Plan A (63 days) 招商銀行聚益生金系列公司(63天) A款理財計劃	redeemable on due date	3.61%	6,516	1.02	6,500
ICBC Wealth management "Tian Li Bao" Net Worth Wealth Management Product (XLT1801) 工銀理財「添利寶」淨值型理財產品(XLT1801)	redeemable on due date	3.17%	15,000	2.35	15,000
China Merchants Bank Ju Yisheng Jin Wealth Management Plan A (63 days) 招商銀行聚益生金系列公司(63天) A款理財計劃	redeemable on due date	3.65%	9,010	1.41	9,000
China Merchants Bank Ju Yisheng Jin Wealth Management Plan B (35 days) 招商銀行聚益生金系列公司(35天) B款理財計劃	redeemable on due date	3.60%	6,005	0.94	6,000
Total			64,658		64,500
Equivalent to HK$'000			72,056		71,879

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 the Group's subsidiaries and the issuers after having considered the available surplus cash of the Group's subsidiaries 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 release of any of these wealth management products at appropriate time for general working capital purpose or any future business opportunities when opportunities arise.

Detail of the equity investment trading on the NEEQC is as follows:

Name of equity	**Cost of shares at 31 December 2019**	**Number of shares held at 31 December 2019**	**Fair value at 31 December 2019**	**Percentage to the Group's total assets**	**Change in fair value recognised for the year ended 31 December 2019**
	HK$'000	*Share'000*	*HK$'000*	*%*	*HK$'000*
Shanghai Benemae Pharmaceutical Corporation (Stock code: 830931) 上海仁會生物制藥股份有限公司（股份編號：830931）	22,235	800	25,203	3.55	2,968

Trade and Bills Payables

The increase in trade and bills payables by HK$42.0 million was mainly due to increase in trade and bills payables to suppliers for construction services of comprehensive projects during the year.

Liquidity, Financial Resources and Gearing Ratio

The Group's net cash inflows from operating activities for the year under review amounted to approximately HK$20.6 million (2018: approximately outflows of HK$82.5 million). As at 31 December 2019, cash and cash equivalents amounted to approximately HK$128.7 million, representing a increase of approximately HK$8.3 million as compared with the position as at 31 December 2018.

As at 31 December 2019, the gearing ratio (which is calculated by dividing total borrowings by total assets) was 7.9% (31 December 2018: 0.96%). During year ended 31 December 2018 and 2019, the Group did not hedge its exposure to interest rate risk.

As at 31 December 2019, the Group had current assets of approximately HK$406.0 million (31 December 2018: approximately HK$405.3 million) and current liabilities of approximately HK$232.7 million (31 December 2018: approximately HK$125.3 million). The current ratio (which is calculated by dividing current assets by current liabilities) was approximately 1.74 (31 December 2018: approximately 3.24).

Capital Expenditure

The Group's capital expenditure was approximately HK$56.7 million (2018: approximately HK$35.8 million), representing additions to property, plant and equipment and intangible assets including assets from the acquisition of subsidiaries.

Capital Commitment

As at 31 December 2019, the Group had capital commitments of approximately HK$2.5 million (2018: approximately HK$135.9 million).

Contingent Liabilities

As at 31 December 2019, the Group did not have any significant contingent liability (2018: Nil).

Charges on assets

As at 31 December 2019, expect for the charge over the construction in progress and right-of-use assets with the carrying value of HK$32.3 million and HK$22.9 million respectively for securing the Group's interest-bearing bank borrowings (31 December 2018: Nil), the Group did not have any charge on assets.

Litigations

As at the date of this announcement, the Group had no material pending litigation.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 144 full-time employees (2018: 145) in Hong Kong and the PRC. The Group reviews remuneration and benefits of its employees annually according to the relevant market practice and individual performance of the employees.

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

Save for the social insurance in China and the mandatory provident fund scheme in Hong Kong, the Group has not set aside or accrued any significant funds to provide for retirement or similar benefits for its employees. The staff costs (excluding director's and chief executive's remuneration) incurred for the year were approximately HK$35.4 million (2018: approximately HK$39.4 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 Shareholders meetings. To promote effective communication, the Company maintains a website at www.bsehk.com, where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are posted. The Board, according to the Listing Rules, will conduct voting at the forthcoming AGM by poll. The results of the Company voting will be announced on the Company's website and the website of the Stock Exchange.

CODE ON CORPORATE GOVERANCE PRACTICES

Beijing Sports and Entertainment Industry Group Limited 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 2019 respectively, except for the deviations from code provisions A.2.1 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 2019, 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 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 Lawrence 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

During the year ended 31 December 2019, the Company repurchased a total of 7,750,000 shares, representing approximately 0.59% of the issued share capital of the Company before relevant share repurchases. The average purchase price per share was approximately HK$0.4281. The aggregate consideration for repurchased shares was HK$3,317,525 (before brokerage and expenses). The total 7,750,000 shares were subsequently cancelled.

FINAL DIVIDEND

The Board do not recommend the payment of any final dividend to the Shareholders for the year ended 31 December 2019 (2018: 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 2019.

THE ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2019 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, 30 March 2020

As at the date of this announcement, the executive Directors are Mr. Liu Xue Heng, Mr. Zhu Shixing, Mr. Lam Ka Tak and Mr. Zhang Tingzhe, 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.