Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

NEW SPORTS GROUP LIMITED
新體育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 299)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The directors (the "Directors") of New Sports Group Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2016 (the "Period"), which has been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	Note	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
			(restated)
Revenue	*4*	**65,795**	284,313
Cost of services		**(44,377)**	(263,723)
Gross profit		**21,418**	20,590
Selling expenses		**(11,235)**	–
Administrative expenses		**(41,916)**	(47,928)
Research and development expenses		**(8,853)**	(6,386)
Fair value gain/(loss) on contingent consideration		**19,500**	(157,991)
Impairment loss on goodwill	*9*	**(90,389)**	–
Impairment losses on other intangible assets	*10*	**(86,066)**	–
Other income, gains/(losses)		**4,690**	(4,347)

	Note	Six months ended 30 June 2016 HK$'000 (unaudited)	2015 HK$'000 (unaudited) (restated)
Loss from operations		**(192,851)**	(196,062)
Finance costs		**(29,343)**	(769)
Loss before tax		**(222,194)**	(196,831)
Income tax credit/(expense)	*5*	**3**	(3,604)
Loss for the period	*6*	**(222,191)**	(200,435)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences arising on translating foreign operations		**(25,126)**	(499)
Exchange differences reclassified to profit or loss on deregistration of an associate		**–**	269
Other comprehensive income for the period, net of tax		**(25,126)**	(230)
Total comprehensive income for the period		**(247,317)**	(200,665)
Loss for the period attributable to:			
Owners of the Company		**(186,277)**	(199,119)
Non-controlling interests		**(35,914)**	(1,316)
		(222,191)	(200,435)
Total comprehensive income for the period attributable to:			
Owners of the Company		**(210,570)**	(199,603)
Non-controlling interests		**(36,747)**	(1,062)
		(247,317)	(200,665)
Loss per share			
— Basic	*8*	**HK1.243 cents**	HK1.513 cents
— Diluted	*8*	**HK1.243 cents**	HK1.513 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Note	**30 June 2016** *HK$'000* **(unaudited)**	31 December 2015 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**4,622**	6,947
Goodwill	*9*	**608,167**	712,622
Other intangible assets	*10*	**100,223**	165,197
Deposits paid for property, plant and equipment		**20,695**	19,919
Deposits paid for acquisition of subsidiaries		**–**	77,584
Other deposits		**47,123**	720
		780,830	982,989
Current assets			
Trade and other receivables	*11*	**415,448**	184,928
Amount due from a director		**–**	15,127
Current tax assets		**1,252**	1,001
Bank balances and cash		**166,424**	419,212
		583,124	620,268
Current liabilities			
Borrowings		**21,061**	21,485
Convertible bonds		**277,919**	258,576
Trade and other payables	*12*	**84,053**	91,066
Contingent consideration		**–**	169,500
Deferred revenue		**3,739**	5,478
Current tax liabilities		**21,071**	27,558
		407,843	573,663
Net current assets		**175,281**	46,605
Total assets less current liabilities		**956,111**	1,029,594
Non-current liabilities			
Deferred revenue		**638**	1,181
Deferred tax liabilities		**9,284**	14,863
		9,922	16,044
NET ASSETS		**946,189**	1,013,550
Capital and reserves			
Share capital		**38,408**	36,533
Reserves		**853,774**	907,065
Equity attributable to owners of the Company		**892,182**	943,598
Non-controlling interests		**54,007**	69,952
TOTAL EQUITY		**946,189**	1,013,550

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

These condensed financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below.

These condensed financial statements should be read in conjunction with the 2015 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2015 except as stated below:

Other intangible assets

(i) Football players

The Group operates a football club. The costs associated with the acquisition of players' and key football management staff' registrations are capitalised as intangible assets at the fair value of the consideration payable, including an estimate of the fair value of any contingent consideration. The costs associated with the acquisition of players' registrations include transfer fees, agents' fees and other directly attributable costs. These costs are amortised over the period covered by the player's contract or best estimated based on the player's physical conditions. To the extent that a player's contract is extended, the remaining book value is amortised over the remaining revised contract life.

(ii) Licenses

Licenses are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 3 to 8 years.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

3. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

4. SEGMENT INFORMATION

The Group has four operating segments as follows:

Software development	—	outsourcing software development services and technical support services
Provision of online game services	—	design, development and operation of the mobile and web games
P2P financial intermediary services	—	P2P financial intermediary services and other relevant consultation services
Football club	—	operation of a football club in the PRC

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment revenue and results

The following is an analysis of revenue and results by operating segment of the Group:

Six months ended 30 June 2016 (unaudited)

	Software development in the PRC *HK$'000*	Software development in Japan *HK$'000*	Provision of online game services in the PRC *HK$'000*	P2P financial intermediary services in the PRC *HK$'000*	Football club in the PRC *HK$'000*	Total *HK$'000*
Revenue	119	–	65,676	–	–	65,795
Cost of services	(146)	–	(41,475)	(2)	(2,754)	(44,377)
Gross (loss)/profit	(27)	–	24,201	(2)	(2,754)	21,418
Selling expenses	–	–	(11,197)	(38)	–	(11,235)
Administrative expenses	(3,877)	–	(8,772)	(3,353)	(6)	(16,008)
Research and development expenses	–	–	(8,853)	–	–	(8,853)
Impairment losses on other intangible assets	–	–	(86,066)	–	–	(86,066)
Segment results	(3,904)	–	(90,687)	(3,393)	(2,760)	(100,744)
Fair value gain on contingent consideration						19,500
Impairment loss on goodwill						(90,389)
Other income, gains/(losses)						4,690
Finance costs						(29,343)
Unallocated corporate expenses						(25,908)
Loss before tax						(222,194)

Six months ended 30 June 2015 (unaudited) (restated)

	Software development in the PRC *HK$'000*	Software development in Japan *HK$'000*	Provision of online game services in the PRC *HK$'000*	P2P financial intermediary services in the PRC *HK$'000*	Football club in the PRC *HK$'000*	Total *HK$'000*
Revenue	3,623	252,293	28,397	–	–	284,313
Cost of services	(4,534)	(234,044)	(25,145)	–	–	(263,723)
Gross (loss)/profit	(911)	18,249	3,252	–	–	20,590
Administrative expenses	–	(21,325)	(1,915)	–	–	(23,240)
Research and development expenses	–	–	(6,386)	–	–	(6,386)
Segment results	(911)	(3,076)	(5,049)	–	–	(9,036)
Fair value loss on contingent consideration						(157,991)
Other income, gains/(losses)						(4,347)
Finance costs						(769)
Unallocated corporate expenses						(24,688)
Loss before tax						(196,831)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in either period.

Segment result represents the profit/(loss) of each segment without allocation of central administration costs, directors' emoluments, fair value gain/(loss) on contingent consideration, impairment loss on goodwill, other income, gains/(losses) and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the assets and liabilities by operating segment of the Group:

At 30 June 2016 (unaudited)

	Software development in the PRC ***HK$'000***	**Software development in Japan** ***HK$'000***	**Provision of online game services in the PRC** ***HK$'000***	**P2P financial intermediary services in the PRC** ***HK$'000***	**Football club in the PRC** ***HK$'000***	**Total** ***HK$'000***
Segment assets	**2,278**	**–**	**261,256**	**2,535**	**35,471**	**301,540**
Unallocated assets						**1,062,414**
Consolidated total						**1,363,954**
Segment liabilities	**16,809**	**–**	**51,911**	**143**	**783**	**69,646**
Unallocated liabilities						**348,119**
Consolidated total						**417,765**

At 31 December 2015 (audited)

	Software development in the PRC *HK$'000*	Software development in Japan *HK$'000*	Provision of online game services in the PRC *HK$'000*	P2P financial intermediary services in the PRC *HK$'000*	Football club in the PRC *HK$'000*	Total *HK$'000*
Segment assets	7,304	7,653	372,866	5,392	–	393,215
Unallocated assets						1,210,042
Consolidated total						1,603,257
Segment liabilities	16,810	49,120	54,932	809	–	121,671
Unallocated liabilities						468,036
Consolidated total						589,707

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than unallocated bank balances and cash, goodwill, deposits paid for property, plant and equipment, deposits paid for acquisition of subsidiaries, deferred tax assets and assets used jointly by operating segments.

- bank balances and cash are allocated to operating segments based on the location of the bank balances and cash.

- all liabilities are allocated to operating segments other than deferred tax liabilities, contingent consideration, liability component of convertible bonds and liabilities for which operating segments are jointly liable.

- liabilities payable to the government department such as tax bureau and social security department are allocated to operating segments based on the location of the tax bureau and social security department.

5. INCOME TAX (CREDIT)/EXPENSE

Income tax has been recognised in profit or loss as following:

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax	**4,330**	5
Japan income tax	**–**	4,759
	4,330	4,764
Under/(over)-provision in prior years:		
PRC Enterprise Income Tax	**1,034**	(1,378)
	5,364	3,386
Deferred tax:		
Current period	**(5,367)**	218
	(3)	3,604

PRC Enterprise Income Tax has been provided at a rate of 25% (2015: 25%).

Pursuant to relevant laws and regulations in the PRC, a subsidiary in the PRC, Beijing Kaixin Jiuhao Technology Co., Ltd. ("Kaixin Jiuhao") is exempted from PRC Enterprise Income Tax for the two years from its first profit-making year and thereafter is entitled to a 50% relief from PRC Enterprise Income Tax for the following three years. The subsidiary in the PRC was in its first profit-making year for the financial year ended 31 December 2015 and was therefore entitled to exempt from PRC Enterprise Income Tax for the six months ended 30 June 2016.

Pursuant to relevant laws and regulations in the PRC, an income tax of 10% is imposed on the capital gain on disposal of the PRC subsidiaries when the gain is realised from tax perspective.

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profit Tax during the Period (six months ended 30 June 2015: Nil).

6. LOSS FOR THE PERIOD

Loss for the period has been arrived at charging/(crediting) the following:

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Amortisation of other intangible assets (included in cost of services)	**39,388**	24,494
Bad debts written off	**3,334**	3,090
Depreciation of property, plant and equipment	**1,835**	4,156
Directors' remuneration	**8,757**	8,974
Fair value (gain)/loss on contingent consideration	**(19,500)**	157,991
(Gain)/loss on disposal of property, plant and equipment	**(27)**	41
Government subsidies	**(1,183)**	(280)
Interest income from bank balances	**(54)**	(446)
Interest income from short term investments	**–**	(280)
Loss on deregistration of an associate	**–**	418
Net foreign exchange (gain)/loss	**(6,737)**	2,921
Operating lease charges in respect of office premises	**3,223**	13,733
Research and development expenses	**8,853**	6,386
Share-based payments to consultants	**3,060**	6,217
Impairment loss on goodwill	**90,389**	–
Impairment losses on other intangible assets	**86,066**	–

Research and development expenses include staff costs of approximately HK$5,964,000 (2015: HK$6,345,000).

7. DIVIDENDS

The directors of the Company did not recommend payment of an interim dividend for the current period (2015: Nil).

8. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2016	2015
	'000	*'000*
	(unaudited)	(unaudited)
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**14,990,223**	13,161,420

The 2015 comparative figure was restated with the effect of share subdivision took place on 16 September 2015.

The calculation of the basic loss per share is based on the following:

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss		
Loss for the purpose of calculating basic loss per share	**(186,277)**	(199,119)

The effects of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2015 and 2016.

9. GOODWILL

	HK$'000
Cost	
At 1 January 2015 (audited)	7,308
Arising on acquisition of subsidiaries (audited)	723,478
Derecognition of goodwill (audited)	(7,308)
Exchange differences (audited)	(10,856)
At 31 December 2015 and 1 January 2016 (audited)	712,622
Exchange differences (unaudited)	(14,066)
At 30 June 2016 (unaudited)	698,556
Accumulated impairment	
At 1 January 2015, 31 December 2015 and 1 January 2016 (audited)	–
Impairment loss recognised in the current period (unaudited)	90,389
At 30 June 2016 (unaudited)	90,389
Carrying amount	
At 30 June 2016 (unaudited)	608,167
At 31 December 2015 (audited)	712,622

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill (net of accumulated impairment losses) had been allocated as follows:

	30 June 2016 *HK$'000* **(unaudited)**	31 December 2015 *HK$'000* (audited)
Provision of online game services		
Heroic Coronet Limited ("Heroic Coronet")	**182,744**	186,423
Kingworld Holdings Limited ("Kingworld Holdings")	**365,423**	372,782
P2P financial intermediary services		
Key Rich Corporation Limited ("Key Rich")	**60,000**	153,417
	608,167	712,622

The recoverable amounts of the CGUs have been determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts of Heroic Coronet and Kingworld Holdings derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from Heroic Coronet and Kingworld Holdings are 23% and 23% respectively.

On 15 August 2016, a subsidiary of the Company entered into a non-legally binding memorandum of understanding with an independent third party in relation to a potential disposal of the entire equity interest in Key Rich for a consideration of HK$60,000,000. Accordingly, the goodwill has been reduced to its recoverable amount of HK$60,000,000 and an impairment loss of HK$90,389,000 has been recognised in profit or loss.

10. OTHER INTANGIBLE ASSETS

During the six months ended 30 June 2016, a number of service contracts with football players at total amount of approximately HK$37,441,000 were contributed by a non-controlling equity holder of a subsidiary as capital upon establishment of the subsidiary. In additions, the Group acquired licenses with total costs of HK$26,124,000.

During the six months ended 30 June 2015, the Group acquired copyrights with total costs of HK$176,042,000 through acquisition of subsidiaries.

No intangible assets were disposed of by the Group during the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

The Group carried out reviews of the recoverable amount of its other intangible assets for the six months ended 30 June 2016, having regard to the market conditions of the Group's products. These assets are used in the Group's provision of online game services and operation of a football club. The review led to the recognition of an impairment loss of HK$86,066,000 for copyrights that have been recognised in profit or loss. The recoverable amount of the copyrights has been determined on the basis of their value in use using discounted cash flow method. The discount rate used was 24 per cent.

11. TRADE AND OTHER RECEIVABLES

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	**45,891**	123,427
Other receivables	**16,341**	8,930
Deposits paid for a potential acquisition of subsidiaries	**293,603**	–
Other deposits	**12,236**	31,602
Prepayments	**47,377**	20,969
	415,448	184,928

The Group generally allows an average credit period of 30 to 210 days (31 December 2015: 30 to 210 days) for its outsourcing software development customers. The Group generally allows an average credit period of 120 days (31 December 2015: 120 days) for its game distribution platforms, 90 days (31 December 2015: 90 days) for its game development customers and 30 days (31 December 2015: 30 days) for its advertising customers.

The following is an aged analysis of trade receivables presented based on dates on which revenue was recognised.

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0–30 days	**1,140**	43,028
31–60 days	**3,312**	23,140
61–90 days	**3,336**	14,500
91–180 days	**10,967**	23,754
181–360 days	**27,066**	7,644
Over 360 days	**70**	11,361
	45,891	123,427

12. TRADE AND OTHER PAYABLES

	30 June 2016 *HK$'000* **(unaudited)**	31 December 2015 *HK$'000* (audited)
Trade payables	**2,953**	2,760
Wages and salaries payables	**62,788**	62,501
Accruals	**4,043**	7,021
Other tax payables	**1,072**	2,398
Other payables	**13,197**	16,386
	84,053	91,066

The average credit period of trade payables in relation to outsourcing software development services is 30 to 60 days. The average credit period of trade payables in relation to provision of online game services and outsourcing game development services is 15 days.

The following is an aged analysis of trade payables based on invoice dates at the end of the reporting period:

	30 June 2016 *HK$'000* **(unaudited)**	31 December 2015 *HK$'000* (audited)
0–30 days	**121**	2,496
31–60 days	**–**	25
61–90 days	**–**	239
91–180 days	**2,340**	–
Over 180 days	**492**	–
	2,953	2,760

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND MARKET OVERVIEW

The sports industry in the PRC entered a high-growth period in the first half of 2016. "The 13th Five-year Plan for the development of sports industry" ("the 13th Five-Year Plan"), promulgated by the State General Administration of Sport of China in July 2016, formulates various development objectives to enlarge the size of the sports industry and boost the relevant consumption. It is targeted that by 2020, the total size of the national sports industry will reach RMB3 trillion with its added value taking up 1% of the GDP, the per capita sports venue area will reach 1.8 square meters, 100 demonstration projects of the State regarding the sports industry will be set up and the sporting environment will be improved. The 13th Five-Year Plan also regards the contest and performance industry, the fitness and leisure industry, the venue service industry, the sports intermediary industry, the sports training industry, the sports media industry, the sporting goods industry and the sports lottery industry as the key development industries.

Football popularization and the building of world-class football teams are the development objectives of the 13th Five-Year Plan. As the PRC government attaches great importance to football development, it is expected that the Chinese Football Association Super League ("CSL") will scale new heights in its development in 2016. According to "2016 Technology, Media and Telecommunications Industry Predictions" issued by Deloitte, the market value of CSL will continue to climb and reach RMB3.4 billion in 2016, representing an increase of approximately 40% over last year. The purchase price of the five-year (2016–2020) TV broadcast rights to CSL reached RMB8 billion. There are huge business opportunities in connection with CSL, including those arising from ticket sales, match broadcasting, advertising and brand licensing.

The PRC government has been proactively promoting "Internet+Sports" in recent years, encouraging enterprises to develop internet technology-based sports service business. Many enterprises have been developing and operating online sports platforms to seize development opportunities, seeking to deepen their market penetration. According to a research conducted by iResearch, the mainstream online sports platforms had 136 million monthly unique users in March 2016. Among these users, football is one of the most popular categories as more than 60% of them had watched football matches via these platforms. Furthermore, more than half of the platform users bought tickets and authentic team related products and paid to watch matches online through these platforms. It can be seen that there is much room for development for online sports platforms, notably in the case of football-related products and services. Mobile applications and online platforms integrating mobile internet with sports have great commercial potential.

As the general public is becoming more aware of physical fitness and interested in sports, the sports cultural and creative industry — a combination of sports culture, creativity and innovative technologies, is flourishing. With an intention to create a number of high quality sophisticated sports cultural projects and sports cultural brand events which will bring significant benefits to the society, the PRC government also has actively encouraged and promoted sports education and training and the development of sports culture among young people in recent years. Reaping benefits from the PRC government's strategies to promote development in various sectors of the sports industry, enterprises will focus on "Sports + Culture" to expand their sports-related businesses in the future. It is expected that the development of the sports cultural and creative industry can be promoted.

The mobile and web-based gaming market in the PRC continued to flourish in the first half of 2016. The number of mobile and web-based game users reached approximately 400 million and 280 million, respectively. According to "the China Gaming Industry Report" issued by the Game Publishing Working Committee under the China Audio-video and Digital Publishing Association, the revenue generated in the mobile gaming market and the web-based gaming market were RMB37.48 billion and RMB10.06 billion, respectively, representing an increase of 79% and a slight decrease of 2% as compared with the same period last year. Benefited from the popularization of 4G technology and the enhancement of mobile devices' functionality, competitive games, including sports games, are very popular among the game users. This drives the continuous development of midcore and hardcore games. However, along with many traditional console game developers joining the market, the competition has turned white-hot. Mobile games incorporating virtual reality (VR) technology hold the promise to attract more game users.

Based on the above reasons, our Group plans to focus on developing and expanding its sports — related businesses, especially those which are football-related, in the future and further explore the opportunities presented by "Internet + Sports".

BUSINESS REVIEW

Sports Business

Our Company has been proactively identifying good opportunities for mergers and acquisitions to further explore business opportunities in the sports industry, especially those which are football-related. In order to expand our Group's influence in the PRC sports industry, Shenzhen Baoxin Sport Industry Limited ("Shenzhen Baoxin"), our Company's wholly-owned subsidiary, entered into an agreement with Shenzhen City Yinling Pingan Culture Media Co., Ltd. ("Yinling Pingan") on 15 May 2016 to establish Shenzhen Baoxin Football Club Co., Ltd., which is a joint-venture company (the "JV Company"). Shenzhen Baoxin and Yinling Pingan made a capital contribution of RMB68,000,000 and RMB32,000,000 to the JV Company respectively. The JV Company is held as to 68% and 32% by Shenzhen Baoxin and Yinling Pingan respectively. As consideration for the capital contribution, Yinling Pingan transferred the football club registrations of 15 key football players (including a coach) and 6 backup football players of Shenzhen Pingzhian Football Club Company Limited ("Shenzhen Pingzhian") (a wholly owned subsidiary of Yinling Pingan), valued at RMB32,010,000, to the JV Company. Accordingly, the JV Company possesses the exclusive rights to each of the football players and enters into new employment contracts with them. Pursuant to the contracts, the football players have been representing Shenzhen Baoxin Football Club ("Baoxin Football Club"), which is operated by the JV Company, since 6 June of the same year. The football club, which has potential to enter into the PRC champion league, won the Shenzhen Provincial and Municipal League Championship of the Chinese Football Association Amateur League in July 2016, and also obtained qualification for participating in the Regional League competition.

The JV Company is principally engaged in sports-related business, including the investment in the JV Football Club and other sports clubs, the operation and management of sports grounds and facilities, the provision of fitness services, sports matches planning services, sports advertising services, sports events training, ticketing agency services and consultation services relating to sports and sports economic information, the sale of sportswear and sports equipment, e-commerce, and the organisation of exhibitions.

"Internet + Sports" Business

As the internet economy is on the rise in various consumption sectors, our Group is trying to gradually build a smart sports vertical industry chain with "Internet + Sports" as its theme. In order to seize development opportunities arising from the combination of internet and sports, our Group completed the acquisition of Kingworld (Beijing) Technology Co., Ltd ("Kingworld Beijing") on 31 December 2015. Kingworld Beijing obtained an exclusive license on 4 June 2015 to develop and operate the official wireless platform (including but not limited to WeChat) and mobile application for the Chinese Football Association Super League. The mobile application, which has currently been updated to Version 3.0, is the flagship product of Kingworld Beijing, mainly providing information on CSL matches and first-hand data and news on the 16 football teams. Its total download count reached 5.65 million.

Meanwhile, Kingworld Beijing also exclusively develops and operates official internet service platforms for a number of football clubs of China League One, including Beijing Guoan Football Club, Shanghai Greeland and Shenhua Football Club, Tianjin Teda Football Club, Hangzhou Greentown Football Club, Dalian Yifang Football Club and Beijing Renhe Football Club. As a result, social platforms connecting football teams and their fans are created. These platforms provide integrated services such as information on football clubs, ticketing and e-commerce. Kingworld Beijing's experience in football-focused development and operation provides our Group with unique development advantages, which can help move our Group's "Internet + Sports" businesses forward.

In order to follow the "Internet + Sports" pattern of development, "Kingworld Sports", an internet sports cultural service platform operated by Kingworld Beijing, mainly provides services including live broadcasts of matches, video interaction, e-sports, interactive entertainment, sports e-commerce, sports finance, sports training and sports tourism. Kingworld Beijing is also proactively involved in football training services. With a view to nurturing excellent coaches, Kingworld Beijing made a capital contribution of RMB490,000 in April 2016 to set up training courses (in collaboration with Chinese Football Association Super League Co., Ltd. and FC Cologne (which is currently a football team in the German First-Division Soccer League)) for the coaches of CSL clubs. On 20 October 2015, Kingworld Beijing and China Social Welfare Foundation (the Next Generation Fund) entered into a Close Cooperation Agreement with Real Madrid C.F. in the PRC (which is currently a football team in Liga BBVA) mainly to provide sports training for the amateur football league and junior football players.

In addition to developing and operating internet products by building on its technological strengths, which have been accumulated for many years, Kingworld Beijing also proactively expands its business towards the entire sports industry. On 24 December 2015, Kingworld Beijing entered into a 10-year cooperation agreement with the Winter Sports Management Center of the General Administration of Sport of China. Under the agreement, Kingworld Sports will develop and operate internet services and social platforms in connection with winter sports (such as skiing, skating, ice hockey and curling) in the PRC to promote winter sports to all snow lovers. Kingworld Sports will also carry out one-stop online to offline integrated marketing and services in relation to the key business such as training and tourism.

Mobile and Web-based Gaming Business

Given the huge growth potential of the mobile and web-based gaming industry, the Group has acquired game development businesses with growth potential in order to enhance its independent research and development capacities of developing games. The Group's subsidiary Heroic Coronet Limited ("Heroic Coronet") owns 65% equity interests of Beijing Kaixin Jiuhao Technology Company Limited ("Kaixin Jiuhao") . Kaixin Jiuhao is principally engaged in the design, development and operation of mobile and web-based games. Kaixin Jiuhao's experienced independent research and development team is able to develop popular midcore and hardcore sophisticated games, especially those under the sports category. Thus, the Group can deepen its market penetration and stay highly competitive. The Group has a research team in the Mainland, which designs and develops high quality midcore and hardcore games under the sports category leveraging on its innovative ideas and sharp market acumen.

OUTLOOK

Being optimistic about the potential for rapid growth in the Chinese football industry, the Group has established the JV Company and formulated a three-year development plan for Baoxin Football Club, which is under the JV Company's operation. The football club is expected to qualify for participating in professional matches in the Chinese Football Association Division Two League ("China League Two") by 2016 and get promoted to the Chinese Football Association Division One League ("China League One") by 2017 and the Super League by 2018 one after another. Therefore, it is anticipated that the market value of the football club will continue to surge.

In the coming five years, Kingworld Beijing, owned by the Group and with a focus on the sports industry, will create quality internet sports cultural and creative service platforms by taking forward its initiatives in areas related to mobile applications, web portals, the WeChat platform, video broadcasting and community interaction. Kingworld Beijing will be a popular internet sports brand in the PRC. Regarding football training, Kingworld Beijing will establish close cooperation relationships with internationally renowned organizations including Real Madrid Club, and continue to strengthen its development in the areas of sports training and sports tourism in the future to boost the Company's profitability.

Kingworld Sports has entered into a 10-year cooperation agreement with the Winter Sports Management Center of the General Administration of Sport. Kingworld Sports will create internet services and social platforms in connection with winter sports in the PRC. As the 2022 Beijing Winter Olympics happens to be held during the term of the cooperation agreement, Kingworld Beijing will make good use of its own resources and technologies to participate in projects relating to internet products and operation services for the Winter Olympics. These projects represent enormous business opportunities for Kingworld Beijing. The Group also intends to develop wireless platforms in connection with winter sports, basketball, tennis, baseball and water sports in the future.

In order to capture the future development opportunities in the sports cultural and creative industry and strengthen its leading position in such industry, the Group intends to explore various merger and acquisition opportunities. Acquiring sports centers, building large sports complexes and expanding its education and training service business are some of the Group's business development directions. To maintain its competitiveness, the Group will also proactively source new clients and share its human resources to enhance its capacity to achieve growth in overall profit. The Group intends to put more resources on strengthening its business capability in the areas of sports, sports culture, internet sports and sports education and training, in the hope of making contributions in promoting the development of sports in the PRC.

REVIEW OF RESULTS AND OPERATIONS

The Group's consolidated turnover for the Period was approximately HK$65,795,000 representing a decrease of approximately 77% when compared with HK$284,313,000 for 2015. The decrease was mainly attributable to the operation of software development in Japan market was ceased for the Period, which accounted for 89% of total turnover for 2015.

In addition, the turnover sourced from China increased by approximately 105% from approximately HK$32,020,000 for 2015 to approximately HK$65,795,000 for the Period. Although the Group have a significant decrease in the service income derived from outsourcing software development in the PRC by approximately 97% from approximately HK$3,623,000 for 2015 to approximately HK$119,000 for the Period, the turnover derived from online games service in the PRC increased by approximately 131% to approximately HK$65,676,000 from approximately HK$28,397,000 for 2015.

With higher gross profit margin generated from the online games business which newly acquired on late 2015, the Group's gross profit margin increased from approximately 7.2% for 2015 to approximately 32.6% for the Period. Gross profit for the Period increased to approximately HK$21,418,000 or by 4%, when compared to the gross profit of approximately HK$20,590,000 for 2015.

Accordingly, the Group recorded net loss of approximately HK$222,191,000 for the Period, when compared with the net loss of approximately HK$200,435,000 for 2015. The Group's net loss for the Period mainly included the impairment losses on goodwill and other intangible assets of approximately HK$90,389,000 and HK$86,066,000 respectively.

Operating loss of approximately HK$192,851,000 was recorded for the Period when compared with the operating loss of approximately HK$196,062,000 for 2015. The decrease in operating loss of approximately HK$3,211,000 was mainly attributable to the decrease in the operation expenses derived from the software development business which ceased in the Period.

Income tax credit for the Period was approximately HK$3,000 as compared with an income tax expense for 2015 of approximately HK$3,604,000.

Net loss attributable to owners of the Company was approximately HK$186,277,000 for the Period whereas net loss attributable to owners of the Company was approximately HK$199,119,000 for 2015.

LIQUIDITY AND FINANCIAL RESOURCES

The Group have not proceeds any issuance of convertible bonds and new shares in the Period.

As at 30 June 2016, the Company maintained a high level of cash and bank balances and the bank borrowing of approximately HK$21,061,000 as at period ended date. The borrowings are bank loans repayable within one year. The carrying amounts of the Group's borrowings are denominated in RMB and arranged at fixed interest rates and expose the Group to fair value interest rate risk. The average interest rate at 30 June 2016 was 5.66% per annum.

SHARE CAPITAL

On 31 March 2016, the Company issued and allotted 750,000,000 Consideration Shares of HK$0.0025 each to the vendor of Heroic Coronet as a settlement of the consideration for the acquisition of Heroic Coronet. The fair value of 750,000,000 new shares was HK$150,000,000 based on the bid price (HK$0.20 per consideration share) at 31 March 2016.

PLEDGE OF ASSETS

As at 30 June 2016, the Group had no pledged asset.

SHARE OPTIONS

The Share Option Scheme was adopted on 26 March 2014. As at 30 June 2016, the number of shares in respect of which options had been granted and remained outstanding was 211,000,000 representing 1.37% of the total number of issued shares of the Company as at the date of this announcement.

EMPLOYEE AND REMUNERATION POLICIES

The Group had 253 full time staff as at 30 June 2016 (as at 31 December 2015: 182). Most of our staff was stationed in China. Their remuneration, promotion and salary review were assessed based on their respective job responsibilities, work performance, professional experiences and the prevailing industry practice. The Group maintained social insurance schemes for retirement, unemployment, personal injury and hospitalisation for all of its employees in China and a housing provident fund system has also been implemented for its employees in China.

FOREIGN EXCHANGE AND CURRENCY RISKS

Since most of the Group's revenue and expenses was generated from online games service in the PRC, and was denominated in Renminbi. During the Period, the Group had not hedged its foreign exchange risk because the exposure is considered not significant. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

CONTINGENT LIABILITIES

As at 30 June 2016, the Group had no material contingent liability.

CAPITAL COMMITMENTS

The Group did not have any capital commitments as at 30 June 2016 (31 December 2015: approximately HK$1,000,000) in respect of the purchase of property, plant and equipment.

INTERIM DIVIDEND

The directors of the Company do not recommend payment of any interim dividend for the six months ended 30 June 2016 (30 June 2015: Nil).

CORPORATE GOVERNANCE

During the six months ended 30 June 2016, the Company has applied and complied with the applicable provisions as set out in the Corporate Governance Code contained in Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited of the Listing Rules (the "Listing Rules"), except the deviation disclosed herein.

	Code Provision	Deviation	Considered Reason for deviation
A.2.1	The role of chairman and chief executive should be separate.	Mr. Zhang Xiaodong was the chairman and chief executive officer ("CEO") since 1 April 2016.	The Board considered that vesting the roles of chairman and CEO in the same person facilitates the execution of the Group's business strategies and maximizes effectiveness of its operation. The Board considered that there is a sufficient balance and division of responsibilities and authority.

Deficiencies of Internal Control

In the course of preparing the interim results for the six months ended 30 June 2016, the Board became aware of deposits payment by the Group in connection with the potential acquisition of the entire interests in Wuxi Xinyou Network Technology Co., Ltd. (無錫新游網絡科技有限公司) (the "Potential Acquisition") under the Memorandum of Understanding dated on 17 November, 2015. Such payment of deposits for the Potential Acquisition was handled and authorized by the former executive director(s) of the Company. A separate announcement will be published by the Company in relation to the details of the payment of aforesaid deposits.

The Board noted that the deficiencies of internal control especially the Code provision C.2.3 in respect of the former directors' involvement in significant business transactions and the monitoring on cash and bank management.

The Board has taken immediate action to seek legal advice and will take all necessary remedial actions. In addition, the Company will review the existing internal control measures by engaging external professional advisor to implement new control measures to meet the obligation under the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions and dealing (the "Code of Conduct") by Directors on terms no less exacting than the required standard set out in Appendix 10 to Listing Rule (the "Model Code"). The Company has made specific enquiry of all Directors as to whether they have complied with the required standard set out in the Model Code and the Code of Conduct during the six months ended 30 June 2016.

Save as disclosed above, all the Directors have confirmed that they have complied with the required standards set out in the Model Code and the Code of Conduct throughout the six months ended 30 June 2016.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period under review, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the period was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors or the Chief Executive of the Company or any of their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CHANGE OF DIRECTORS' INFORMATION

Upon specific enquiry by the Company and following confirmations from Directors, save as otherwise set out in this announcement, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published annual report. The change of Director's information as required to be disclosed pursuant to Rule 13.51B of the Listing Rules are set out below:

1. Mr. Han Chu resigned as an independent non-executive Director of the Company with effect from 30 May 2016. Mr. Han ceased to be the chairman of Nomination Committee and a member of Audit Committee and Salary Review Committee of the Company with effect from 30 May 2016.

2. Mr. Wu Hong resigned as an independent non-executive Director of the Company with effect from 30 July 2016. Mr. Wu ceased to be the chairman of Salary Review Committee and a member of Audit Committee and Nomination Committee of the Company with effect from 30 July 2016.

3. Ms. Xia Lingjie was appointed as a non-executive Director of the Company on 1 April 2016 and was re-designated as an executive Director of the Company on 17 August 2016. Ms. Xia was appointed as a member of Risk Management Committee of the Company with effect from 1 April 2016.

4. Mr. Chen Zetong was appointed as an independent non-executive Director of the Company with effect from 30 May 2016. Mr. Chen was appointed as a member of Audit Committee, Nomination Committee and Salary Review Committee of the Company with effect from 30 May 2016.

5. Ms. He Suying was appointed as an independent non-executive Director of the Company with effect from 30 May 2016. Ms. He was appointed as the chairman of Nomination Committee, a member of Audit Committee and Salary Review Committee of the Company with effect from 30 May 2016 and was re-designated as the chairman of Salary Review Committee with effect from 30 July 2016.

6. Dr. Tang Lai Wah was appointed as an independent non-executive Director of the Company with effect from 30 May 2016. Dr. Tang was appointed as a member of Audit Committee, Nomination Committee and Salary Review Committee with effect from 30 May 2016.

7. Mr. Chui Man Lung, Everett ("Mr. Chui") retired as an independent non-executive director of Mingyuan Medicare Development Company Limited ("Mingyuan") (a company listed on the Main Board of Stock Exchange (Stock Code: 233)) on 20 May 2016. Mr. Chui ceased to be the chairman of the audit committee of Mingyuan on 20 May 2016.

8. Mr. Chui was appointed as an independent non-executive director and a member of the audit committee of Up Energy Development Group Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 307)) on 30 June 2016.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process, risk management and internal control system of the Group, and to review the Company's annual report and to provide advice and comments thereon to the Board. The audit committee comprises of Mr. Chui Man Lung, Everett (Chairman), Mr. Chen Zetong, Ms. He Suying and Dr. Tang Lai Wah.

The Audit Committee has reviewed and approved the Group's unaudited consolidated interim results for the six months ended 30 June 2016.

By order of the Board
New Sports Group Limited
Zhang Xiaodong
Chairman

Hong Kong, 29 August 2016

As at the date of this announcement, the Company's executive directors are Mr. Zhang Xiaodong, Mr. Lau Wan Po and Ms. Xia Lingjie; and the independent non-executive directors are Mr. Chen Zetong, Mr. Chui Man Lung, Everett, Ms. He Suying and Dr. Tang Lai Wah.