New Sports Group Limited
新體育集團有限公司
(Incorporated in Cayman Islands with limited liability)
(Stock Code: 299)

2017 FINAL RESULTS ANNOUNCEMENT

The directors (the "Directors") of New Sports Group Limited (the "Company") are pleased to announce the consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017 (the "Year") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	**2017** **HK\$'000**	2016 *HK\$'000*
Continuing operations			
Revenue	*4*	**191,519**	155,207
Cost of sales		**(234,291)**	(109,068)
Gross (loss)/profit		**(42,772)**	46,139
Distribution costs		**(7,473)**	(3,839)
Administrative expenses		**(61,231)**	(78,124)
Research and development expenses		**(1,178)**	(36,121)
Loss on disposal of subsidiaries		**(3,600)**	—
Gain on bargain purchase	*28*	**43,348**	—
Fair value gain on investment properties	*13*	**40,894**	—
Fair value gain on financial assets at fair value through profit or loss		**8,972**	—
Fair value gain on contingent consideration payable	*25*	**161,199**	2,557
Fair value gain on contingent consideration receivable	*27*	—	45,841
Fair value gain on derivative financial assets		**387**	118
Impairment losses on goodwill	*14*	**(75,263)**	(560,709)
Impairment losses on other intangible assets	*15*	**(19,996)**	(108,659)
Impairment loss on other receivables	*27*	**(45,841)**	—
Other income, gains/(losses)	*5*	**(1,726)**	(15,925)

	Note	2017 HK$'000	2016 HK$'000
Loss from operations		**(4,280)**	(708,722)
Finance costs	*7*	**(49,145)**	(60,931)
Loss before tax		**(53,425)**	(769,653)
Income tax expense	*8*	**(3,541)**	(2,950)
Loss for the year from continuing operations	*9*	**(56,966)**	(772,603)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	*10*	**158,813**	(147,568)
Profit/(loss) for the year		**101,847**	(920,171)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences arising on translating foreign operations		**67,032**	(82,021)
Exchange differences reclassified to profit or loss on disposal of subsidiaries		**23,740**	—
Other comprehensive income for the year, net of tax		**90,772**	(82,021)
Total comprehensive income for the year		**192,619**	(1,002,192)
Profit/(loss) for the year attributable to:			
Owners of the Company		**87,940**	(861,582)
Non-controlling interests		**13,907**	(58,589)
		101,847	(920,171)
Total comprehensive income for the year attributable to:			
Owners of the Company		**166,468**	(942,743)
Non-controlling interests		**26,151**	(59,449)
		192,619	(1,002,192)
Earnings/(loss) per share	*12*		
From continuing and discontinued operations			(represented)
— Basic		**HK$0.053**	(HK$1.126)
From continuing operations			
— Basic		**(HK$0.043)**	(HK$0.933)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**63,230**	49,534
Investment properties	*13*	**724,333**	—
Goodwill	*14*	**187,486**	249,914
Other intangible assets	*15*	**832,821**	872,317
Deposits paid for property, plant and equipment		—	19,773
Deposits paid for investment properties		—	216,144
Other deposits		—	40,291
Available-for-sale financial assets	*16*	**13,222**	—
Derivative financial assets	*27*	**6,835**	6,448
Deferred tax assets		**33,242**	24,244
		1,861,169	1,478,665
Current assets			
Inventories	*17*	**2,306,317**	—
Gross amount due from customers for contract works	*18*	**648,822**	—
Trade and other receivables	*19*	**559,138**	399,370
Financial assets at fair value through profit or loss	*20*	**263,333**	—
Derivative financial assets	*27*	—	45,841
Current tax assets		—	937
Bank and cash balances		**327,249**	473,499
		4,104,859	919,647
Current liabilities			
Borrowings	*21*	**1,492,657**	127,851
Convertible bonds		—	200,596
Trade and other payables	*22*	**552,229**	154,830
Consideration payable	*28*	**901,500**	—
Receipts in advance	*23*	**47,144**	—
Deferred revenue		—	4,160
Current tax liabilities		**73,336**	24,897
		3,066,866	512,334
Net current assets		**1,037,993**	407,313
Total assets less current liabilities		**2,899,162**	1,885,978

	Note	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Consideration payable	24	**112,497**	91,010
Contingent consideration payable	25	**94,000**	255,199
Deferred revenue		**—**	213
Deferred tax liabilities		**312,707**	102,544
		519,204	448,966
NET ASSETS		**2,379,958**	1,437,012
Capital and reserves			
Share capital	26	**102,156**	85,130
Reserves		**1,657,306**	1,320,577
Equity attributable to owners of the Company		**1,759,462**	1,405,707
Non-controlling interests		**620,496**	31,305
TOTAL EQUITY		**2,379,958**	1,437,012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business in Hong Kong is Unit 2602, 26/F., Lippo Centre, Tower 1, No. 89 Queensway, Admiralty, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

On 31 December 2015, the Group acquired the entire equity interest in Kingworld Holdings Limited ("Kingworld Holdings"). A series of control agreements (the "Control Agreements") was entered into between a wholly-owned subsidiary of the Group incorporated in the People's Republic of China (the "PRC"), Kingworld Wuxian (Beijing) Sports Technology Co., Ltd.*（九合無限(北京)體育科技有限公司）("Kingworld Wuxian"), Kingworld (Beijing) Technology Co., Ltd.*（九合天下(北京)科技有限公司）("Kingworld Beijing"), Mr. Zhou Xu and Ms. Xu Rong who are the registered equityholders of Kingworld Beijing.

The Control Agreements enable the Group, through Kingworld Wuxian, to control over Kingworld Beijing (the "Structured Subsidiary") with particulars as follows:

— exercise effective financial and operational control over the Structured Subsidiary;

— exercise owners' voting rights of the Structured Subsidiary;

— receive substantially all of the economic interest returns generated by the Structured Subsidiary in consideration for the business support, technical and consulting services provided by the Group;

— obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Structured Subsidiary from the respective registered equityholders at a minimum purchase price permitted under the PRC laws and regulations, and all or part of the assets of the Structured Subsidiary at the net book value of such assets or such minimum purchase price permitted under the PRC laws and regulations. The Group may exercise such options at any time until it has acquired all equity interests and/or all assets of the Structured Subsidiary; and

— obtain pledges over the entire equity interests of the Structured Subsidiary from their respective registered equityholders as collateral security for all of the Structured Subsidiary' payments due to the Group under the Control Agreements.

The Group does not have any equity interest in the Structured Subsidiary. However, as a result of the Control Agreements, the Group has the right to receive variable returns from its involvement in the Structured Subsidiary and has the ability to affect those returns through its power over the Structured Subsidiary and is considered to control the Structured Subsidiary. Consequently, the board of Directors the Company (the "Board") regards the Structured Subsidiary of the Group as an indirect subsidiary for accounting purpose.

The Company is an investment holding company. The principal activities of its subsidiaries are engaged in property development and property investment in the PRC, internet sport platform in the PRC, development of sports stadium operations and the related training in the PRC, and listed securities investment.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

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

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2017. None of these have had impact on the accounting policies of the Group. However, the Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative require disclosure of changes in liabilities arising from financing activities, including changes arising from both cash flows and non-cash changes.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2017. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to HKAS 40 Investment Property: Transfers of investment property	1 January 2018
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of their initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impact are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impact upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impact may be identified after the standards are initially applied in the Group's interim financial report for the six months ending 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 9 Financial Instruments

HKFRS 9 will replace HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of HKFRS 9 to the Group's consolidated financial statements as follows:

(a) Classification and measurement

The Group expects to irrevocably designate those unlisted equity securities currently classified as available-for-sale as at fair value through other comprehensive income.

Fair value gains and losses on these instruments will no longer be recycled to profit or loss on disposal. Impairment losses on debt securities will be measured applying the general impairment model in HKFRS 9 as described in (b) below and recognsied in profit or loss. Impairment losses on equity securities will no longer be recognised in profit loss but rather in other comprehensive income. In addition, the Group currently measures certain unlisted equity securities at cost less impairment. Under HKFRS 9 these instruments will be measured at fair value.

(b) Impairment

HKFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, if the Group were to adopt the new impairment requirements at 31 December 2017, accumulated impairment loss at that date would not be significantly impacted.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) Timing of revenue recognition

Currently, revenue arising from the operation of online game, operation of a yacht club and provision of education service is recognised when the service is rendered, whereas revenue from trading of commodities is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies three situations in which control of the promised good or service is regarded as being transferred over time:

a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these three situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from the operation of online game, operation of a yacht club, provision of education services and trading of commodities.

For contracts with customers in which the trading of commodities is generally expected to be the only performance obligation, adoption of HKFRS 15 is not expected to have any impact on the Group's revenue or profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to HK$13,116,000 as at 31 December 2017. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

4. REVENUE

An analysis of the Group's revenue for the year from continuing operations is as follows:

	2017	2016
	HK$'000	*HK$'000*
Outsourcing software development services	**—**	9,386
Advertising income	**6,717**	95,499
Online game operation	**29,523**	27,405
Licensing fee income	**—**	1,520
Game development income	**—**	20,820
Publication of magazines	**140**	395
Rental income	**1,275**	—
Trading of commodities	**100,318**	—
Tuition fees	**14,715**	92
Yacht parking fees	**38,831**	90
	191,519	155,207

5. OTHER INCOME, GAINS/ (LOSSES)

Continuing operations	**2017**	2016
	HK$'000	*HK$'000*
Interest income from short term investments	**5,136**	5
Interest income from bank balances	**3,845**	160
Interest income from loan receivables	**5,421**	—
Interest income from deposits paid for a potential acquisition of a subsidiary	**5,510**	—
Dividend income	**6,207**	—
Rental income	**3,330**	25
Government subsidies *(Note (a))*	**—**	1,290
Net foreign exchange gain	**14,978**	18,753
Compensation from a main contractor *(Note (b))*	**41,475**	—
Allowance for doubtful debts	**(89,130)**	—
Bad debt written off	**—**	(37,318)
Others	**1,502**	1,160
	(1,726)	(15,925)

Note:

(a) Government subsidies include subsidies from local government for its exports of outsourcing software development services of approximately HK$Nil (2016: HK$337,000). The Group recognises the government subsidies when it fulfills all the conditions specified in the subsidy notice or relevant law and regulations.

(b) Compensation was received from a main contractor regarding properties for sale under development on delay of progress of construction.

6. SEGMENT INFORMATION

The Group has eight operating segments during the Year as follows:

Real estates and property investment	—	property development and property investment in the PRC
Trading of commodities	—	trading of commodities in the PRC
Yacht club	—	operation of a yacht club
Education	—	provision of international education services
Provision of online game services and platform services	—	design, development and operation of the mobile and web games and platform services
Software development	—	outsourcing software development services and technical support services
P2P financial intermediary services	—	P2P financial intermediary services and other relevant consultation services
Football club	—	operation of a football club

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:

For the year ended 31 December 2017

	Discontinued			Continuing					
	P2P financial intermediary services in the PRC *HK$'000*	Software development in the PRC *HK$'000*	Football club in the PRC *HK$'000*	Provision of online game services in the PRC *HK$'000*	Yacht club in the PRC *HK$'000*	Education in the PRC *HK$'000*	Real estate and property investment *HK$'000*	Trading of commodities *HK$'000*	Total *HK$'000*
Revenue	—	—	—	36,381	38,831	14,714	1,275	100,318	191,519
Cost of sales	—	—	—	(66,638)	(31,570)	(35,747)	(100)	(100,236)	(234,291)
Gross (loss)/profit	—	—	—	(30,257)	7,261	(21,033)	1,175	82	(42,772)
Distribution costs	—	—	—	(399)	(663)	—	(6,411)	—	(7,473)
Administrative expenses	—	(297)	(142)	(18,085)	(2,004)	(2,880)	(9,684)	(243)	(33,335)
Research and development expenses	—	—	—	(1,178)	—	—	—	—	(1,178)
Impairment on other intangible assets	—	—	—	(19,996)	—	—	—	—	(19,996)
Segment results	—	(297)	(142)	(69,915)	4,594	(23,913)	(14,920)	(161)	(104,754)

	Discontinued			Continuing					
	P2P financial intermediary services in the PRC	Software development in the PRC	Football club in the PRC	Provision of online game services in the PRC	Yacht club in the PRC	Education in the PRC	Real estate and property investment	Trading of commodities	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Gain on disposal of subsidiaries									155,643
Gain on bargain purchase									43,348
Fair value gain on investment properties									40,894
Fair value gain on derivative financial assets									387
Fair value gain on financial assets at fair value through profit or loss									8,972
Fair value gain on contingent consideration payable									161,199
Impairment losses on goodwill									(75,263)
Impairment loss on other receivables									(45,841)
Other income, gains/(losses)									(1,717)
Finance costs									(49,145)
Unallocated corporate expenses									(28,335)
Profit before tax									105,388

Year ended 31 December 2016

	Discontinued			Continuing			
	P2P financial intermediary services in the PRC	Software development in the PRC	Football club in the PRC	Provision of online game services in the PRC	Yacht club	Education	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	1	671	—	154,354	90	92	155,208
Cost of sales	(5)	(143)	(22,830)	(85,606)	(269)	(220)	(109,073)
Gross (loss)/profit	(4)	528	(22,830)	68,748	(179)	(128)	46,135
Selling expenses	(37)	—	—	(3,838)	—	(1)	(3,876)
Administrative expenses	(5,223)	(5,427)	(468)	(22,912)	(44)	(58)	(34,132)
Research and development expenses	—	—	—	(36,121)	—	—	(36,121)
Bad debts written off	—	(1,936)	—	(35,382)	—	—	(37,318)
Impairment losses on other intangible assets	—	—	(22,593)	(86,066)	—	—	(108,659)
Segment results	(5,264)	(6,835)	(45,891)	(115,571)	(223)	(187)	(173,971)

	Discontinued			Continuing			
	P2P financial intermediary services in the PRC	**Software development in the PRC**	**Football club in the PRC**	**Provision of online game services in the PRC**	**Yacht club**	**Education**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fair value gain on contingent consideration payable							2,557
Fair value gain on contingent consideration receivable							45,841
Fair value gain on put option							118
Impairment losses on goodwill							(702,396)
Other income, gains/(losses)							20,776
Finance costs							(60,931)
Unallocated corporate expenses							(49,215)
Loss before tax							(917.221)

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

Segment result represents the profit/(loss) of each segment without allocation of central administration costs, directors' emoluments, fair value gain on contingent consideration payable, fair value gain on contingent consideration receivable, gain on disposal of subsidiaries, gain on bargain purchase, fair value gain on investment properties, fair value gain on derivative financial assets, fair value gain on financial assets at fair value through profit or loss, impairment losses on goodwill, impairment loss on other receivables, other income, gain/(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 31 December 2017

	Discontinued			Continuing					
	P2P financial intermediary services in the PRC	Software development in the PRC	Football club in the PRC	Provision of online game services in the PRC	Yacht club in the PRC	Education in the PRC	Real estates and property Investment	Trading of commodities	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	—	—	—	29,778	331,627	631,819	4,004,962	122	4,998,308
Unallocated assets									967,720
Consolidated total									5,966,028
Segment liabilities	—	—	—	74,998	76,701	155,008	2,083,435	46	2,390,188
Unallocated liabilities									1,195,882
Consolidated total									3,586,070

At 31 December 2016

	Discontinued				Continuing			
	P2P financial intermediary services in the PRC	Software development in the PRC	Software development in Japan	Football club in the PRC	Provision of online game services in the PRC	Yacht club in the PRC	Education in the PRC	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	113	1,291	—	1,554	226,935	554,343	347,502	1,131,738
Unallocated assets								1,266,574
Consolidated total								2,398,312
Segment liabilities	—	40,915	—	1,578	54,326	32,323	73,391	202,533
Unallocated liabilities								758,767
Consolidated total								961,300

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

- all assets are allocated to operating segments other than unallocated bank and cash balances, goodwill, deposits paid for property, plant and equipment, deposits paid for investment properties, deposits paid for acquisitions of subsidiaries, derivative financial assets, available-for-sale financial assets, financial assets at fair value through profit or loss, deferred tax assets, and assets used jointly by operating segments.

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

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

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

Other segment information

Year ended 31 December 2017

	Discontinued			Continuing					
	P2P financial intermediary services in the PRC	Software development in the PRC	Football club in the PRC	Provision of online game services in the PRC	Yacht club in the PRC	Education in the PRC	Real estates and construction	Trading of commodities	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions to non-current assets *(Note)*	—	—	—	217	12,120	5,286	79	—	17,702
Depreciation and amortisation	—	161	—	15,322	30,374	22,219	64	—	68,140
Impairment on other intangible assets	—	—	—	19,996	—	—	—	—	19,996

Year ended 31 December 2016

	Discontinued				Continuing			
	P2P financial intermediary services in the PRC	**Software development in the PRC**	**Software development in Japan**	**Football club in the PRC**	**Provision of online game services in the PRC**	**Yacht club in the PRC**	**Education in the PRC**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions to non-current assets *(Note)*	—	23	—	37,441	27,059	—	—	64,523
Depreciation and amortisation	173	827	—	13,759	49,393	235	173	64,560
Gain on disposal of property, plant and equipment	—	26	—	—	—	—	—	26
Bad debts written off	—	1,936	—	—	35,382	—	—	37,318
Impairment on other intangible assets	—	—	—	22,593	86,066	—	—	108,659

Note: Non-current assets included property, plant and equipment and other intangible assets.

Geographical information

The operations of the Group and its non-current assets are located in the PRC.

Information about major customers

Revenue from customers in relation to continuing operations contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Trading of commodities		
Customer A	**26,372**	—
Customer B	**25,430**	—
Provision of online game services		
Customer C	**22,500**	24,663

7. FINANCE COSTS

Continuing operations	**2017**	2016
	HK\$'000	*HK\$'000*
Interest on bank borrowings	**854**	1,055
Interest on corporate bonds	**11,988**	3,000
Interest on other borrowings	**47,563**	260
Interest on convertible bonds	**17,904**	56,520
Imputed interest on consideration payable	**14,105**	96
	92,414	60,931
Amount capitalised	**(43,269)**	—
	49,145	60,931

The weighted average capitalisation rate for the year on fund's borrowed is at a rate of 2.50% per annum (2016: Nil).

8. INCOME TAX EXPENSE

Income tax relating to continuing operations has been recognised in profit or loss as following:

	2017	2016
	HK\$'000	*HK\$'000*
Current tax:		
PRC Enterprise Income Tax	**9,128**	8,444
Under-provision in prior years:		
PRC Enterprise Income Tax	**407**	1,100
Deferred tax		
Current year	**(5,994)**	(6,594)
	3,541	2,950

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit in Hong Kong for both years.

PRC Enterprise Income Tax has been provided at a rate of 25% (2016: 25%).

Pursuant to the relevant laws and regulations in the PRC, Kingworld Beijing, an indirect subsidiary of the Group for accounting purposes, is recognised as a High and New Technology Enterprise by the relevant PRC government authorities and Kingworld Beijing was therefore entitled to enjoy a concessionary Enterprise Income Tax rate of 15% for the year ended 31 December 2017.

Pursuant to the 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.

The reconciliation between the income tax expense and the product of loss before tax multiplied by the PRC Enterprise Income Tax rate is as follows:

	2017	2016
	HK$'000	*HK$'000*
Loss before tax (from continuing operations)	**(53,425)**	(769,653)
Taxation at the applicable PRC Enterprise Income Tax rate of 25% (2016: 25%)	**(13,356)**	(192,413)
Tax effect of income not taxable in determining taxable profit	**(237,495)**	(78,374)
Tax effect of expenses not deductible in determining taxable profit	**245,492**	259,360
Tax effect of temporary differences not recognised	**5**	—
Effect of tax exemption and concessions granted to PRC subsidiaries	**—**	(8,012)
Tax effect of utilisation of tax losses not previously recognised	**—**	4,685
Tax effect of tax losses not recognised	**8,488**	13,514
Under-provision in prior years	**407**	1,100
PRC dividend withholding tax	**—**	3,090
Income tax expense relating to continuing operations	**3,541**	2,950

9. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

Loss for the Year from continuing operations has been arrived at charging/(crediting) the following:

	2017	2016
	HK$'000	*HK$'000*
Amortisation of other intangible assets (included in cost of sales)	**61,388**	60,991
Acquisition-related costs (included in administrative expenses)	**3,149**	6,067
Auditor's remuneration	**2,480**	3,100
Bad debts written off	**—**	37,318
Fair value gain on contingent consideration payable	**(161,199)**	(2,557)
Fair value gain on contingent consideration receivable	**—**	(45,841)
Fair value gain on derivative financial assets	**387**	(118)
Loss on disposal of subsidiaries	**3,600**	—
Fair value gain on investment properties	**(40,894)**	—
Fair value gain on financial assets at fair value through profit or loss	**(8,972)**	—
Gain on bargain purchase	**(43,348)**	—
Depreciation of property, plant and equipment	**6,843**	3,651
Loss/(gain) on disposal of property, plant and equipment	**9**	(26)
Operating lease charges in respect of office premises	**6,340**	5,830
Research and development expenses	**1,178**	36,121
Share-based payments to consultants	**—**	3,060
Impairment losses on goodwill	**75,263**	560,709
Impairment losses on other intangible assets	**19,996**	108,659
Impairment losses on other receivables	**45,841**	—

Research and development expenses include staff costs of approximately HK$1,178,000 (2016: HK$36,121,000) which are included in the amounts disclosed separately in Note 14 to the consolidated financial statements.

10. DISCONTINUED OPERATIONS

During the Year, the Group disposed of Key Rich Corporation Limited ("Key Rich"), SinoCom Holdings (BVI) Limited and Baoxin Football Club Co., Ltd., which carried out P2P financial intermediary business, software outsourcing and technical support services, and football club operation respectively.

	2017	2016
	HK$'000	*HK$'000*
(a) Profit/(loss) for the year from discontinued operations:		
Revenue	**—**	1
Cost of services	**—**	(5)
Distribution costs	**—**	(37)
Administrative expenses	**(439)**	(5,223)
Impairment on goodwill	**—**	(141,687)
Other income, gains/(losses)	**9**	(617)
Loss before tax	**(430)**	(147,568)
Income tax expense	**—**	—
Gain on disposal of operations	**159,243**	—
Income tax expense	**—**	—
Profit/(loss) for the year from discontinued operations (attributable to owners of the Company)	**158,813**	(147,568)
(b) Profit/(loss) for the year from discontinued operations include the following:		
Depreciation	**161**	173
Auditor's remuneration	**—**	—
(c) Cash flows from discontinued operations:		
Net cash outflows from operating activities	**324**	386

11. DIVIDENDS

The directors of the Company did not recommend payment of any final dividend for the year ended 31 December 2017 (2016: Nil).

12. EARNINGS/(LOSS) PER SHARE

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

	2017	2016
	'000	*'000*
		(represented)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	**1,665,289**	765,471

The 2016 comparative figure was represented with the effect of share consolidation as presented in Note 26.

(a) From continuing and discontinued operations

The calculation of the basic earnings/(loss) per share attributable to the owners of the Company is based on the following:

	2017	2016
	HK$'000	*HK$'000*
Earnings/(loss)		
Earnings/(loss) for the purpose of calculating basic earnings/(loss) per share	**87,940**	(861,582)

(b) From continuing operations

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

	2017	2016
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of calculating basic loss per share	**(70,873)**	(714,014)

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2016 and 2017.

(c) From discontinued operations

Basic earnings/(loss) per share from the discontinued operation is HK9.54 cents per share (2016: HK19.278 cents per share) based on the loss for the year from discontinued operation attributable to the owners of the Company of approximately HK$158,813,000 (2016: HK$147,568,000) and the denominators used are the same as those detailed above for basic loss per share.

13. INVESTMENT PROPERTIES

	2017
	HK$'000
At 1 January 2017	—
Additions	**311,861**
Acquisition of subsidiaries	**345,154**
Fair value gains	**40,894**
Exchange differences	**26,424**
At 31 December 2017	**724,333**

Investment properties were revalued at 31 December 2017 on an open market value basis by reference to the market evidence of recent transactions for similar properties by Greater China Appraisal Limited, an independent firm of professional valuer.

Valuation for residential properties was derived from using the market comparable approach based on recent market prices without any significant adjustment being made to the market observable data. For commercial properties and offices, the Group used an income capitalisation approach.

At 31 December 2017, the carrying amount of investment properties pledged as security for the Group's bank loans amounted to HK$Nil (2016: Nil).

As at 31 December 2016, the registration of the property ownership certificates was in the progress and the titles of ownership of the investment properties have not yet been transferred to the Group.

14. GOODWILL

	HK$'000
Cost	
At 1 January 2016	712,622
Arising on acquisition of subsidiaries	284,553
Exchange differences	(44,865)
At 31 December 2016 and 1 January 2017	952,310
Derecognised on disposal of subsidiaries	(322,861)
Exchange differences	52,272
At 31 December 2017	681,721

	HK$'000
Accumulated impairment	
At 1 January 2016	—
Impairment loss recognised in current year	702,396
At 31 December 2016 and 1 January 2017	702,396
Impairment loss recognised in current year	75,263
Derecognised on disposal of subsidiaries	(320,861)
Exchange differences	37,437
At 31 December 2017	494,235
Carrying amount	
At 31 December 2017	187,486
At 31 December 2016	249,914

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:

	2017	2016
	HK$'000	*HK$'000*
Provision of online game services		
Kingworld Holdings	—	73,546
P2P financial intermediary services		
Key Rich	—	2,000
Operation of a yacht club		
Shenzhen Dapeng Yacht Club Company Limited ("Dapeng Yacht Club")	**71,274**	66,287
Provision of international education services		
Shenzhen Dapeng International Education Company Limited ("Dapeng International Education")	**116,212**	108,081
	187,486	249,914

The recoverable amounts of the CGUs have been determined on the basis of their value in use by using an 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 the long-term average economic growth rate of the geographical areas 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 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 Group prepares cash flow forecasts of Dapeng Yacht Club and Dapeng International Education 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 0.5% and 5.1% respectively. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows are set out as follows:

Kingworld Holdings:	29% (2016: 29%)
Dapeng Yacht Club:	18% (2016: 17%)
Dapeng International Education:	18% (2016: 18%)

At 31 December 2017, goodwill of HK$75,263,000 was allocated to Kingworld Holdings within the online game services segment. Due to the slow growth in number of users for sport apps, the Group has revised its cash flow forecasts for this CGU. The CGU has been reduced to its recoverable of HK$Nil and an impairment loss of HK$75,263,000 recognised on goodwill within the online game services segment.

At 31 December 2017, before impairment testing, goodwill of HK$71,274,000 and HK$116,212,000 were allocated to Dapeng Yacht Club and Dapeng International Education within operation of a yacht club and provision of international education segment respectively. Based on their recoverable amounts of HK$501,961,000 and HK$277,331,000, no impairment has been recognised on goodwill respectively within operation of a yacht club and provision of international education segment.

At 31 December 2016, before impairment testing, goodwill of HK$169,563,000 and HK$115,321,000 were allocated to Dapeng Yacht Club and Dapeng International Education within operation of a yacht club and provision of international education segment respectively upon the acquisition of Yue Jin Asia Limited ("Yue Jin Asia") with completion on 28 December 2016. Based on their recoverable amounts of HK$564,419,000 and HK$383,867,000, an impairment loss of HK$103,276,000 and HK$7,240,000 has been recognised on goodwill respectively within operation of a yacht club and provision of international education segment. The impairment loss was mainly attributable to the difference between the Company's share price at HK$0.062 each stipulated in the sale and purchase agreement for the determination of the shares and retained shares consideration compared to the share at bid price of HK$0.099 each at completion on 28 December 2016.

15. OTHER INTANGIBLE ASSETS

	Exclusive rights for operation of sport apps	Non-competition right	Copyrights	Operating Right	Licenses	Football players' registrations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost	27,838	14,955	173,234	—	—	—	216,027
At 1 January 2016							
Arising on acquisition of subsidiaries	—	—	—	819,081	—	—	819,081
Additions	—	—	—	—	25,654	37,441	63,095
Exchange differences	(1,766)	(948)	(10,987)	954	(1,081)	(1,669)	(15,497)
At 31 December 2016	26,072	14,007	162,247	820,035	24,573	35,772	1,082,706
Disposal of subsidiaries	—	—	(157,351)	—	(24,817)	(38,464)	(220,632)
Exchange differences	1,961	1,054	2,032	61,691	244	2,692	69,674
At 31 December 2017	28,033	15,061	6,928	881,726	—	—	931,748
Accumulated amortisation and impairment losses							
At 1 January 2016	—	—	50,830	—	—	—	50,830
Amortisation for the year	10,421	2,925	29,849	364	3,673	13,759	60,991
Impairment loss	—	—	86,066	—	—	22,593	108,659
Exchange differences	(440)	(123)	(8,793)	—	(155)	(580)	(10,091)
At 31 December 2016	9,981	2,802	157,952	364	3,518	35,772	210,389
Amortisation for the year	8,334	2,902	2,225	46,738	1,189	—	61,388
Impairment loss	8,651	9,036	2,309	—	—	—	19,996
Disposal of subsidiaries	—	—	(157,351)	—	(4,735)	(38,464)	(200,550)
Exchange differences	1,067	321	1,793	1,803	28	2,692	7,704
At 31 December 2017	28,033	15,061	6,928	48,905	—	—	98,927
Carrying amount							
At 31 December 2017	—	—	—	832,821	—	—	832,821
At 31 December 2016	16,091	11,205	4,295	819,671	21,055	—	872,317

On 27 August 2014, Shenzhen Yuejin Sports Company Limited ("Yuejin Sports") entered into an operation entrustment agreement (the "Operation Entrustment Agreement") with Shenzhen Dapeng New District Management Committee, pursuant to which the operation of Shenzhen Marine Sports Base and Sailing School would be entrusted to Yuejin Sports for a period of twenty years for a total cash consideration of RMB785,000,000 (equivalent to HK$877,552,000), 50% of which amounting to RMB392,500,000 (equivalent to HK$438,776,000) was paid in 2014 and the balance of RMB392,500,000 will be settled by 10 equal annual instalments of RMB39,250,000 (equivalent to HK$43,877,600) each from the eleventh year of the date on which the assets were transferred. The transfer of assets was completed on 11 March 2015.

As at 31 December 2017, the average remaining amortisation period of other intangible assets are ranged from 1 to 17 years (2016: 1 to 18 years).

These assets are used in the Group's online game operations, operation of a yacht club and provision of international education service.

The Group carried out reviews of the respective recoverable amounts of its exclusive rights for operation of sport apps, non-competition right and copyrights within online game operations segment in 2017, having regard to the keen competition and shorter-than-expected game life cycles and the slow growth in number of users for sports apps since the launch of the sports apps during the year. The review led to the recognition of an impairment loss of HK$2,309,000 for copyrights that have been recognised in profit or loss. The recoverable amount of HK$Nil for the exclusive rights for operation of sport apps, non-competition right and copyrights within online game operations has been determined on the basis of their value in use using discounted cash flow method. The discount rate of the exclusive rights for operation of sport apps, non-competition right and copyrights used was 29% (2016: 29%), 29% (2016: 29%) and ranged from 24% (2016: 24%) to 29% (2016: 29%) respectively.

The Group prepares cash flow forecasts of Kingworld Holdings within online game operations segment, 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 Group prepares cash flow forecasts of Dapeng Yacht Club and Dapeng International Education within operation of a yacht club and provision of international education segement respectively 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 0.5% and 5.1% respectively. This rate does not exceed the average long-term growth rate for the relevant markets.

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Note	**2017** *HK$'000*	2016 *HK$'000*
Non-current:			
Unlisted equity securities in the PRC		**13,222**	—

Unlisted equity securities with carrying amount of HK$13,222,000 (2016: HK$Nil) were carried at cost as they do not have a quoted market price in an active market and their fair value cannot be reliably measured.

Available-for-sale financial assets are denominated in RMB.

17. INVENTORIES

The Group's inventories represent properties for sale under development.

The amount of properties for sale under development expected to be recovered after more than one year is HK$2,306,317,000.

As at 31 December 2017, the carrying amount of properties for sale under development and a share charge over the entire issued capital of a wholly-owned subsidiary of the Group are pledged as security for banking facilities granted to a subsidiary of the Group amounted to approximately HK$1,221,773,000.

18. GROSS AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORK

	As at 31 December 2017 *HK$'000*
Contract costs incurred plus recognised profits less recognised losses to date	**648,822**
Less: Progress billings	—
	648,822
Gross amount due from customers for contract work	**648,822**

19. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**38,979**	34,027
Other receivables	**20,237**	10,282
Interests receivable	**3,518**	—
Loan receivables *(Note (a))*	**340,684**	—
Compensation receivables *(Note (b))*	**78,130**	—
Consideration receivables *(Note (c))*	**41,170**	—
Deposits paid for a potential acquisition of subsidiary *(Note (d))*	—	268,252
Other deposits	**16,606**	2,492
Prepayments	**19,814**	84,317
Total trade and other receivables	**559,138**	399,370

Note:

(a) Included in loan receivables an amount of HK$216,360,000 is unsecured, bearing interest at a rate of 12.5% per annum and repayable within one year. The amount was settled in full in January 2018.

The remaining balance of HK$124,324,000, which is due from a non-controlling equityholder of a subsidiary of the Group, is secured by the right to receive dividends from the subsidiary, bearing interest at rates ranged from 5% to 25% per annum and repayable within one year.

(b) Compensation receivables from a main contractor of a property project were made in accordance with the contract entered into with the main contractor.

(c) Consideration receivables represent the balance of the consideration in connection with the disposal of Heroic Coronet Limited. The amount was fully settled in February 2018.

(d) The deposits were paid for a potential acquisition of the entire equity interest in Wuxi Xinyou Network Technology Co. Ltd ("Wuxi Xinyou") for a consideration of RMB910,000,000. On 28 February 2017, an aggregate of HK$190,000,000 and all interests accrued thereon were repaid in full to the Group by Wuxi Xinyou, vendors of Wuxi Xinyou and their associates. On 23 March 2017, an amount of RMB70,000,000 and all interests accrued thereon were repaid in full to the Group by Wuxi Xinyou, vendors of Wuxi Xinyou and their associates.

Details are set out in announcements of the Company dated 17 November 2015, 29 August 2016, 5 October 2016, 30 December 2016, 28 February 2017 and 23 March 2017.

The Group generally allows an average credit period of 120 days (2016: 120 days) for its game distribution platforms, 90 days (2016: 90 days) for its game development customers, 30 days (2016: 30 days) for its advertising customers and 30 days (2016: Nil) for its operation of a yacht club and provision of education services.

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

	2017	2016
	HK$'000	*HK$'000*
0 - 30 days	**12,196**	12,021
31 - 60 days	**14,851**	11,799
61 - 90 days	**702**	2,350
91 - 180 days	**11,230**	3,120
181 - 360 days	**—**	2,887
Over 360 days	**—**	1,850
	38,979	34,027

As of 31 December 2017, trade receivables of HK$1,052,000 (2016: HK$5,860,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2017	2016
	HK$'000	*HK$'000*
91 - 180 days	**1,052**	1,123
181 - 360 days	**—**	2,887
Over 360 days	**—**	1,850
	1,052	5,860

The carrying amounts of the Group's trade receivables are denominated in RMB.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	HK$'000	*HK$'000*
Equity securities, at fair value		
Listed in Hong Kong	**238,416**	—
Listed outside Hong Kong	**24,917**	—
	263,333	—
Analysed as:		
Current assets	**263,333**	—
Non-current assets	—	—
	263,333	—

The investments included above represent the investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

The fair values of listed securities are based on current bid prices.

As at 31 December 2017, the carrying amount of financial assets at fair value through profit or loss pledged as security for the Group's other borrowings amounted to HK$124,200,000.

21. BORROWINGS

		2017	2016
	Note	*HK$'000*	*HK$'000*
Bank loans	*(a)*	—	20,122
Corporate bonds	*(b)*	**137,126**	92,729
Other borrowings	*(c)*	**1,355,531**	15,000
		1,492,657	127,851

The borrowings are repayable within one year.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	HK$	**RMB**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
2017			
Bank loans	**—**	**—**	**—**
Corporate bonds	**137,126**	**—**	**137,126**
Other borrowings	**75,380**	**1,280,151**	**1,355,531**
	212,506	**1,280,151**	**1,492,657**

	HK$	RMB	Total
	HK$'000	*HK$'000*	*HK$'000*
2016			
Bank loans	—	20,122	20,122
Corporate bonds	92,729	—	92,729
Other borrowings	15,000	—	15,000
	107,729	20,122	127,851

The range of effective interest rates at 31 December were as follows:

	2017	2016
Bank loans	**—**	5.44%
Corporate bonds	**13.38%**	22.66%
Other borrowings	**4.79% — 23.40%**	12.00%

The borrowings are arranged at fixed interest rates and expose the Group to fair value interest rate risk.

The fair value of borrowings equals to their carrying amount, as the impact of discounting is not significant.

(a) The bank loans were secured by a charge over a property owned by a registered equityholder of Kingworld Beijing and were guaranteed by the registered equityholders of Kingworld Beijing and their spouses. The registered equityholders of Kingworld Beijing have become the shareholders of the Company since the completion of acquisition of Kingworld Holdings.

(b) On 15 June 2017, the Group issued corporate bonds at a nominal value of HK$130,000,000, which is unsecured, bearing interest at a rate of 12% per annum with maturity on 14 June 2018.

On 8 November 2016, the Group issued corporate bonds at a nominal value of HK$95,000,000, which is unsecured, bearing interest at a rate of 10% per annum with maturity on 7 February 2017. Interest was due and fully paid in advance on 8 November 2016. The Corporate bonds were repaid in full by the Group on 7 February 2017.

(c) As at 31 December 2017, included in other borrowings an amount of HK$75,380,000 is secured by listed equity securities included in financial assets at fair value through profit or loss amounted to HK$124,200,000, HK$1,280,151,000 is unsecured, of which HK$168,535,000 is bearing interest at 4.79%, HK$192,320,000 is bearing at 30.00%, HK$449,548,000 is bearing at 24.00%, HK$240,400,000 is bearing at 21.60%, HK$1,809,000 is bearing at 15.00% and repayable within 1 year, the remaining balance of HK$227,539,000 is interest-free and repayable on demand.

As at 31 December 2016, other borrowings of HK$15,000,000 is secured by a share charge over the entire issued capital of a wholly-owned subsidiary of the Group and was repaid in full on 9 January 2017.

22. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**364,878**	2,695
Wages and salaries payables	**20,846**	67,879
Accruals	**12,422**	8,197
Other tax payables	**7,518**	1,564
Other payables	**146,565**	74,495
	552,229	154,830

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:

	2017	2016
	HK$'000	*HK$'000*
0 - 30 days	**207,029**	—
31 - 60 days	—	87
61 - 90 days	—	—
91 - 180 days	—	—
181 - 360 days	**157,849**	2,608
	364,878	2,695

The trade and other payables of the Group denominated in foreign currency at the end of the reporting period are as follows:

	2017	2016
	HK$'000	*HK$'000*
RMB	**547,341**	145,970

23. RECEIPTS IN ADVANCE

Receipts in advance represent sales proceeds received from purchasers in connection with the Group's pre-sales of properties.

24. CONSIDERATION PAYABLE

The consideration payable in relation to the Operating Right (Note 15) is set out as follows:

	HK$'000
Acquisition of subsidiaries	**90,808**
Imputed interest charged	**96**
Exchange differences	**106**
At 31 December 2016 and 1 January 2017	**91,010**
Imputed interest charged	**14,105**
Exchange differences	**7,382**
At 31 December 2017	**112,497**

Pursuant to the Operation Entrustment Agreement, the consideration payable at the initial amount of RMB392,500,000 (equivalent to HK$471,785,000) will be settled by 10 equal annual instalments of RMB39,250,000 (equivalent to HK$47,179,000) each from the eleventh year of the date on which the assets were transferred. The transfer of assets was completed on 11 March 2015.

The imputed interest charged for the Year is calculated by applying effective interest rate of 13.04%.

25. CONTINGENT CONSIDERATION PAYABLES

The carrying amounts of the Group's contingent consideration payable related to the acquisition of Yue Jin Asia.

On 28 December 2016, a subsidiary of the Company acquired the entire equity interests in Yue Jin Asia for a consideration of HK$1,000,000,000, of which HK$700,000,000 was settled in cash, HK$150,000,000 was satisfied by the allotment and issue by the Company's shares at share price of HK$0.062 each ("Consideration Shares") and HK$150,000,000 will be settled by the Company's shares at share price of HK$0.062 each subject to adjustment ("Retained Shares"). Yue Jin Asia, through its subsidiaries, is principally engaged in operation of a yacht club and provision of international education services. The acquisition is aim to develop the Yacht Club Business and School Business by the Company.

The Retained Shares are subject to the following adjustments:

(i) In the event that the 2018 Yacht Profit (as defined below) is less than HK$60,000,000, the Retained Shares shall be reduced by such amount ("Consideration Adjustment") as determined in accordance with the following formula:

Retained Shares = HK$150,000,000 – 2018 Yacht Profit Shortfall x 9

Where,

(a) 2018 Yacht Profit Shortfall = HK$60,000,000 – 2018 Yacht Profit;

(b) 2018 Yacht Profit = the net profit after tax generated from the Yacht Club Business for the financial year ending 31 December 2018 as referred to in the accounts thereof audited by the auditors of the Company, provided that if the Yacht Club Business records nil profit or a net loss for the financial year ending 31 December 2018, the 2018 Yacht Profit shall be deemed to be zero.

(ii) In the event that the 2018 School Profit (as defined below) is less than HK$17,500,000, the Retained Shares shall be reduced by such amount as determined in accordance with the following formula:

Retained Shaers = HK$150,000,000 – 2018 School Profit Shortfall x 16

Where,

(a) 2018 School Profit Shortfall = HK$17,500,000 – 2018 School Profit;

(b) 2018 School Profit = the net profit after tax generated from the School Business for the financial year ending 31 December 2018 as referred to in the accounts thereof audited by the auditors of the Company, provided that if the School Business records nil profit or a net loss for the financial year ending 31 December 2018, the 2018 School Profit shall be deemed to be zero.

The Consideration Adjustment shall be reduced to the Retained Shares in relation to the acquisition of Yue Jin Asia with reference to the financial performance of Yue Jin Asia for the year ending 31 December 2018 and hence constitute a contingent consideration arrangement.

The Consideration Adjustment was stated at fair value based on the valuation performed by Greater China Appraisal Limited, an independent firm of professional valuer. The valuer conducted the valuation based on a profit forecast obtained from the Company and the Company's share price (level 3 fair value measurements).

26. SHARE CAPITAL

		2017		2016	
	Note	**Number of shares *'000***	***HK$'000***	Number of shares *'000*	*HK$'000*
Authorised:					
Ordinary shares of HK$0.05 (2016: HK$0.0025) each					
At 1 January		**80,000,000**	**200,000**	40,000,000	100,000
Increase in capital	*(a)*	**—**	**—**	40,000,000	100,000
Consolidation of shares	*(d)*	**(76,000,000)**	**—**	—	—
At 31 December	*(d)*	**4,000,000**	**200,000**	80,000,000	200,000
Issued and fully paid:					
At 1 January		**34,052,135**	**85,130**	14,613,151	36,533
Shares issued on placements	*(b)*	**—**	**—**	4,088,000	10,220
Shares issued on acquisition of subsidiaries	*(c)*	**—**	**—**	3,169,355	7,923
Consolidation of shares	*(d)*	**(32,349,528)**	**17,026**	—	—
Shares issued on subscription	*(e)*	**340,521**	**—**	12,181,629	30,454
At 31 December		**2,043,128**	**102,156**	34,052,135	85,130

(a) Pursuant to an ordinary resolution passed on 19 December 2016, the authorised share capital of the Company were increased from HK$100,000,000 divided into 40,000,000,000 ordinary shares of HK$0.0025 each to HK$200,000,000 divided into 80,000,000,000 ordinary shares by the creation of an additional 40,000,000,000 ordinary shares of HK$0.0025 each with effect on 19 December 2016.

(b) On 19 September 2016, the Company entered into a placing agreement in respect of the placement of 4,088,000,000 ordinary shares of HK$0.0025 each to investors at a price of HK$0.062 per share. The placement was completed on 30 December 2016 and the premium on the issue of shares, amounting to approximately HK$240,701,000, net of share issue expenses of HK$2,535,000, was credited to the Company's share premium account. The Company issued and allotted 4,088,000,000 new shares on 30 December 2016.

(c) On 31 March 2016, pursuant to the sale and purchase agreement, the Company issued 750,000,000 consideration shares of HK$0.0025 each to the vendor of Heroic Coronet Limited as settlement of part of the consideration for the acquisition of Heroic Coronet Limited. 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) on 31 March 2016.

On 28 December 2016, pursuant to the sale and purchase agreement, the Company issued 2,419,354,838 consideration shares of HK$0.0025 each (the "Consideration Share") to the vendor of Yue Jin Asia Limited as settlement of part of the consideration for the acquisition of Yue Jin Asia Limited. The fair value of 2,419,354,838 new shares was HK$239,516,000, based on the bid price (HK$0.099 per consideration share) on 28 December 2016.

(d) Pursuant to an ordinary resolution passed on 20 December 2017, every twenty (20) ordinary shares of HK$0.0025 each in issue and unissued share capital of the Company were consolidated into one (1) ordinary share of HK$0.05 each in the issued and unissued share capital of the Company with effect on 21 December 2017.

(e) On 19 September 2016, the Company entered into subscription agreements in respect of the issue and allotment of an aggregate of 12,181,629,000 ordinary shares of HK$0.0025 each to investors at a price of HK$0.062 per share. The subscriptions were completed on 28 December 2016 and the premium on the issue of shares, amounting to approximately HK$724,807,000 was credited to the Company's share premium account. The Company issued and allotted 12,181,629,000 new shares on 28 December 2016.

On 21 December 2017, the Company entered into a subscription agreement in respect of the issue and allotment of 340,521,351 ordinary shares of HK$0.05 each to an investor at a price of HK$0.55 per share. The subscription was completed on 21 December 2017 and the premium on the issue of shares, amounting to approximately HK$170,261,000 was credited to the Company's share premium account. The Company issued and allotted 340,521,351 new shares on 21 December 2017.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure of the Group on a timely basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts. The Group expects to maintain low gearing because of its cash-rich position.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Total debt comprises borrowings and convertible bonds. Adjusted capital comprises all components of equity (i.e. share capital, retained profits and other reserves) except for non-controlling interests.

The debt-to-adjusted capital ratios at 31 December 2017 and at 31 December 2016 were as follows:

	2017	2016
	HK$'000	*HK$'000*
Total debt (Borrowings and convertible bonds)	**1,492,657**	328,447
Less: cash and cash equivalents	**(327,249)**	(473,499)
Net debt	**1,165,408**	(145,052)
Adjusted capital	**1,759,462**	1,405,707
Debt-to-adjusted capital ratio	**66%**	(10%)

The change in the debt-to-adjusted capital ratio during 2017 resulted primarily from the increase of total debt which outraced the increase in cash and cash equivalents.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the Year.

27. DERIVATIVE FINANCIAL ASSETS

	Note	**2017** *HK$'000*	2016 *HK$'000*
Non-current:			
Financial assets			
Put option	*(a)*	**6,835**	6,448
Current:			
Financial assets			
Contingent consideration receivable	*(b)*	**—**	45,841

(a) On 28 December 2016, a subsidiary of the Company acquired the entire equity interests in Yue Jin Asia. As a part of the consideration for the acquisition of Yue Jin Asia and its subsidiaries (collectively referred to as "Yue Jin Asia Group"), the Group shall have the option (the "Put Option") to, at the Group's discretion, sell the Option Shares (as defined below) to the seller of Yue Jin Asia at any time within 5 calendar years from 28 December 2016 upon the Shenzhen Dapeng New District Management Committee or any other relevant governmental authority enforcing its rights under the Operation Entrustment Agreement for any breach of the Operation Entrustment Agreement by any member of the Yue Jin Asia Group before 28 December 2016 at the Option Share Price (as defined below).

The consideration for the Option Shares ("Option Share Price") shall be the higher of (i) the cash equivalent of the sum of (a) the amount paid in cash by the Group to the seller of Yue Jin Asia and (b) the value of all the Consideration Shares (as defined in Note 26(c)) issued by the Company to the seller of Yue Jin Asia as at the date when the Put Option is exercised; or (ii) the fair market value of the Option Shares to be determined by an independent valuer as at the date when the Put Option is exercised.

Where:

Option Shares means all of the issued shares in the capital of Yue Jin Asia as at the completion date of the sale and purchase of the issued shares in the capital of Yue Jin Asia after exercise of the Put Option.

The Put Option was stated at fair value based on the valuation performed by Greater China Appraisal Limited, an independent firm of professional valuer. The valuer conducted the valuation based on a profit forecast obtained from the Company (level 3 fair value measurements).

(b) On 31 December 2015, the Group acquired the entire issued share capital of Kingworld Holdings for a consideration of HK$450,000,000, of which HK$300,500,000 was settled in cash and HK$149,500,000 was settled by the Company's shares. Kingworld Holdings, through Kingworld Beijing, is principally engaged in distributing, selling, developing and investing in internet and mobile interaction entertainment products. With the acquisition the Group has been putting emphasis on the development of its mobile and web-game business.

Pursuant to the sale and purchase agreement, the vendor of Kingworld Holdings undertakes that the aggregate of the audited consolidated net profit of Kingworld Holdings and its subsidiaries (collectively referred to as "Kingworld Group") for the year ended 31 December 2016 (the "2016 Net Profit") shall not be less than RMB60,000,000 (equivalent to HK$76,086,000, the "Guaranteed Amount"). In the event that the 2016 Net Profit is less than RMB60,000,000, an adjustment amount calculated at six times of the shortfall of the 2016 Net Profit and the Guaranteed Amount (the "Adjustment Amount") will be paid by the vendor of Kingworld Holdings in cash. In the event that the 2016 Net Profit is equal to or more than RMB60,000,000, no adjustment amount shall be payable by the vendor of Kingworld Holdings.

As a part of the consideration for the acquisition of Kingworld Group which was completed on 31 December 2015, the contingent consideration receivable is obtained. The contingent consideration receivable represents the right to the return of previously transferred consideration for the acquisition of Kingworld Holdings with reference to the financial performance of Kingworld Group for the year ended 31 December 2016 and hence constitutes a contingent consideration arrangement.

According to the formula set out above, the final Adjustment Amount is approximately HK$275,225,000.

Pursuant to the second supplemental agreement dated 27 February 2017 (the "Second Supplemental Agreement"), Xu Rong, Zhou Xu and the vendor of Kingworld Holdings have agreed to jointly pay the Adjustment Amount in cash to the Company in 5 tranches according to the payment schedule as follows:

1st tranche: RMB80,000,000 (HK$91,520,000) before 15 March 2017

2nd tranche: RMB40,000,000 (HK$45,760,000) before 15 May 2017

3rd tranche: RMB40,000,000 (HK$45,760,000) before 15 July 2017

4th tranche: RMB40,000,000 (HK$45,760,000) before 15 September 2017

5th tranche: RMB44,865,838 (HK$51,326,519) before 15 November 2017

As at the close of business on 15 May 2017, Xu Rong, Zhou Xu and the vendor of Kingworld Holdings fail to pay both the 1st tranche and the 2nd tranche of the Adjustment Amount by the deadlines as set out above.

Given the default payment above-mentioned, pursuant to the Second Supplemental Agreement, the Company shall have the right to declare the subsequent tranches of the Adjustment Amount (i.e. the 3rd to 5th tranches) fall due and become immediately repayable. Further, a daily interest accrues at a rate of 5/10000 from the date of when the outstanding tranche payment first became due (i.e. 15 March 2017) until the Adjustment Amount shall be paid in full as damages payable by Xu Rong, Zhou Xu and the vendor to the Company. Xu Rong, Zhou Xu and the vendor of Kingworld Holdings shall also pay to the Company all the costs and expenses incurred by the Company in relation to the enforcement of the Adjustment Amount and all other economic loss suffered by the Company arising out of the non-payment of the Adjustment Amount in full.

As at 31 December 2017, the fair value of the Adjustment Amount and the relevant interest receivable in total amounted to approximately HK$284,458,000 (Adjustment Amount of HK$275,225,000 + Interest of HK$9,233,000), which are fully impaired in view of the default of payment as mentioned above.

Movement of the contingent consideration receivable during the year is set out as follows:

	HK$'000
Balance as at 1 January 2017	45,841
Impairment loss recognised in profit or loss	(45,841)
	—

On 24 May 2017, the Group, through its wholly owned subsidiary, Shenzhen Baoxin being the plaintiff, commenced PRC legal proceedings (the "Legal Action") against Xu Rong and Zhou Xu as defendants for recovery of a defaulted sum of RMB80,000,000 (i.e. the 1st tranche of the Adjustment Amount) together with the related accrued interest in Middle Civil Court of Shenzhen (the "Court") in accordance with the Second Supplemental Agreement as an initial step. The first hearing of the Legal Action was originally scheduled to be held on 23 October 2017 at the Court, which was nonetheless subsequently adjourned by the Court. The Group has been waiting for further notice from the Court since then.

The Group applied court order and the Court granted the Group with the right to freeze certain assets of Xu Rong and Zhou Xu amounted to RMB30,000,000 (equivalent to HK$36,060,000). Further legal proceedings for additional sum of Adjustment Amount and interest will be initiated against the Xu Rong and Zhou Xu dependent upon the relevant future development of the Legal Action.

Details are set out in announcements of the Company dated 27 February 2017, 15 May 2017 and 13 October 2017.

28. BUSINESS COMBINATION

Acquisition of Shenzhen Borui

On 17 November 2017, a subsidiary of the Company acquired the entire equity interests in 深圳博瑞企業管理有限公司(Shenzhen Borui Enterprise Management Company Limited*) ("Shenzhen Borui") for a cash consideration of RMB950,000,000 (equivalent to approximately HK$1,119,100,000). Shenzhen Borui, through its subsidiaries, is principally engaged in real estate and construction in the PRC. The acquisition is aim to expand the business to real estate projects by the Company.

The fair value of the identifiable assets and liabilities of Shenzhen Borui acquired as at its date of acquisition is as follows:

	HK$'000
Property, plant and equipment	1,018
Available-for-sale financial assets	12,958
Deferred tax assets	4,829
Investment properties	345,154
Inventories	1,853,781
Prepayment, deposits and other receivables	391,191
Gross amount due from customer for contract work	635,867
Bank and cash balances	30,004
Trade and other payables	(1,250,348)
Current tax liabilities	(62,857)
Deferred tax liabilities	(205,769)
Net identifiable assets and liabilities	1,755,828
Non-controlling interests	(593,380)
Gain on bargain purchase	(43,348)
Satisfied by cash	1,119,100
Net cash outflow arising on acquisition:	
Cash consideration paid	(235,600)
Cash and cash equivalents acquired	30,004
	(205,596)

At 31 December 2017, consideration of RMB200,000,000 (equivalent to HK$235,600,000) has been paid to the vendor of Shenzhen Borui. The balance of consideration of RMB750,000,000 (equivalent to HK$901,500,000) has been recognised as a liability at 31 December 2017.

Gain on bargain purchase of HK$43,348,000 was recognised upon completion of the acquisition of Shenzhen Borui. The gain on bargain purchase was mainly due to increase in fair value of the real estate projects based on which the consideration was determined in relation to the acquisition.

The fair value of the prepayment, deposits and other receivables acquired is HK$391,191,000, none of which is expected to be uncollectible.

Shenzhen Borui and its subsidiaries (hereinafter collectively referred to as the "Borui Group") contributed revenue and a profit of approximately HK$Nil and HK$32,971,000 to the Group's revenue and profit respectively for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 9 May 2017 (date of incorporation of Shenzhen Borui), total Group's turnover for the year would have been HK$Nil, and profit for the year would have been HK$27,562,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 9 May 2017, nor is intended to be a projection of future results.

INDUSTRY AND MARKET OVERVIEW

In 2017, the long-sluggish global economy has turned the corner, along with developed economies whose gradual recovery led to improvement in international trade. Benefiting from the rebounding international trade, China, in active response to new economic development norms, shows stronger steady economic growth than in 2016, with its economic structure constantly optimised and upgraded. Of all the sectors in China, the sports industry demonstrated rapid growth. In 2016, the industry's output totalled RMB1.9 trillion (same as below), which soared by RMB647.5 billion and constituted 0.9% of the nation's GDP. Apart from that, under strict policy regulation from, China's property market saw increasingly steady growth. In the first 11 months in 2017, China's commercial housing increased 7.9% from in sale area last year to total 1.47 billion square metres, of which the sale area of commercial residential building rose by 1.26 billion square metres, a year-on-year increase of 5.4%.

In 2017, the policy environment of China's sports industry continued to improve. With the Chinese government releasing "Several Opinions of the State Council on Accelerating the Development of Sports Industry and Promoting Sports Consumption" (Guo Fa 2014 No. 46) in 2014 and "13th Five-Year Plan for Sports Industry Development" in 2016, the development of the sports industry has been elevated to national strategic level with a total output target of RMB5 trillion by 2025. The different levels of the country's sports industry chain have become the centre of attention by the authorities, which will directly lead to the further expansion of the sports market. Concurrently, this will have increasingly significant impact on neighbouring industries such as the tourism and property sectors, bringing new growth momentum to their markets. Under beneficial government policies and the resulting operational environment, the joint trade of sports and property financing seized the opportunities to rise to prominence, becoming one of the most promising joint development models in China. At present, China's property industry insiders generally anticipate a property golden age resulting from the expected property market explosion in a time when green housing meets nationwide exercise spirit. Gradually, new types of properties such as the "sports town", "sports commerce" and "community sports park" will be in high demand on the market.

In respect of China's property market development, in 2017, the government stressed in its policy a crackdown on property speculation, converting the national property market into a regulated one. Gradually, the market has switched from demand-driven to supply-driven. This, coupled with decline in limits on both purchase and selling and in land supply, leads to a market structural optimisation. The impact of governmental regulation is growing evident. Under the principle that policies should suit the different situations of famous cities, the government rolled out a series of regulatory measures that have brought a steady fall in the property market's performance and has effectively eased the over-heated market. Actually, the policy regulation is mainly aimed to "remove property bubbles", retain premium assets and bring stability to the market. In fact, the property market's expected return to rational development can, to a certain degree, prevent financial risks, continue the entire industry's development cycle and create advantageous conditions for the establishment of a long-term development mechanism. The Chinese government has set up a mechanism that promotes both renting and purchase, which has facilitated the development of the property rental market. Meeting the people's residential need has become a significant mission for the property industry policies. Additionally, following more than a decade's massive-scale construction, China's major cities have entered the age where housing stock abounds. The demand for housing stock and residents' increased expenditure in residential property will bring forth development opportunities for property developers. In the same year, the number of second-hand property transactions in first-tier and some of the second- and third-tier cities further increased, indicating that property industry has jumped from a time of severe shortage in property supply to a time featuring the demand-supply imbalance in property quality, property types and distribution. Undervalued properties and old facilities with limited operating capacity bring enormous development opportunities for enterprises of abundant resources and high operational capacity. Among them, as commercial office buildings and shopping centres in first-tier cities and some of the second- and third-tier cities house a large quantity of modern service providers, they demonstrate colossal economic values.

To sum up, China's future property policies are expected to maintain their continuity and stability and the major policies' regulatory nature will remain unchanged, leading to a residential property development landscape featuring a large high-end market, a supported mid-end market and a protected low-end market. In 2018, we anticipate that both the establishment of long-term effective mechanism and the property market reforms will accelerate. The tightening policies does not imply winter for both the property market industry and developers; on the contrary, should a long-term effective mechanism be implemented sooner than expected, it will create a more stable, healthy development environment for some premium residential developers.

In the Group's perspective, innovation and change are the fundamental driving forces behind the Group's continuous development. As a result, in 2017, in addition to the consolidation of its fundamental businesses, the Group actively sought opportunities in sports tournaments sports training and sports tourism. More importantly, the Group aligned with market changes, closely followed the new concepts in related joint industries, combine property investment and business development in the sports sector and regarded property investment and development as one of its future development strategies. The Group think that these moves will help it grasp opportunities residing in both small and large assets and lay a solid foundation for its future whole-chain development. Moreover, its brand new development strategies, operational models and profit growth sources will largely boost the Group's core competitiveness and future overall revenues.

BUSINESS REVIEW

P2P Online Financial Services

Since 2017, the various long-accumulated problems of the P2P online financial industry gradually emerged, and there has been much related negative social and economic news. After many rounds of industry elimination, the government tightened its regulation that uncontrollable political risks could happen any time. Worse still, the industry's inadequate credibility in capital absorption brings tremendous financial pressure on the whole industry. Due to the industry's extremely uncertain prospects and the lack of synergy between the Group's online financial business and its other businesses, the Group completed the disposal of its P2P online financial company, Key Rich and other related subsidiaries, and formally withdrew from the online financial loan platform industry and the related sectors in March 2017. The Group regards this move as a bold decision made in response to the market changes and that its disposal of all related businesses can assist it to concentrate its management energy and withdraw from high-risk industries, thereby moving towards stable development.

Mobile Web-based Gaming Business

With persistent problems such as wide fluctuations in the internet market and high similarity shared among products in the gaming market, the Group's subsidiary, Heroic Coronet Limited (where its subsidiary, All Rise Technology Limited, owns a 65% stake in Beijing Kaixin Jiuhao Technology Company Limited and provides online gaming services suffered large losses. In the previous fiscal year (i.e. the year ended in 2016), the Group's online gaming services business suffered losses amounting to HK$175 million for its goodwill depreciation and HK$86 million for the depreciation of other intangible assets). In May 2017, the Group disposed all its shares and all rights to shareholder loans in Heroic Coronet Limited.

Sports Tourism + Sports Training

After obtaining the operating right of the marine sports base and sailing school in Shenzhen Dapeng New District in December 2016, the Group renamed them as "New Sports Marine Sport Centre" ("Sport Centre") and "New Sports Marine Training Centre" ("Training Centre"). Following one year's operations, they were both among the Group's core businesses. The Sport Centre has developed into a leisure tourism platform offering docking and rental services, driving lessons, scuba diving lessons, leisure venues and hotel services. In 2017, the centre hosted, jointly hosted and provided site support for more than 10 competitions and events. For example, at the brand release event in August at the Sport Centre, where the first "Three Challenges for New Sports at Dapeng Coast"(新體育、大鵬海岸三項挑戰賽) was held, the Group successfully signed the New Sports, China Cup 10-Year Strategic Cooperation Framework Agreement(新體育•中國杯十年戰略合作框架協定) with "China Cup", which designated the Sport Centre as the venue for the "China Cup International Regatta" for the following decade. After undergoing hardware and software upgrades, the Training Centre has currently been in close collaboration with multiple sizeable institutes requiring training including the Emergency Management Office of Shenzhen Municipal People's Government. In 2017, the centre undertook more than 20 training events, for which it provided teaching and sports venues and complementary services such as accommodation and catering. The events held in the two centres and the media reports about them have gradually brought the Group's brand under public attention. In the present stage, benefiting from Shenzhen's eastbound development strategies and the strategic position of the "global tourism demonstration area" located in the Dapeng New District, coupled its advantages of owning a sand-coastal offshore event venue and an integrated training base adjacent to a mountain and sea, the Group smoothly grasped the early opportunities in the sports tourism and sports training sectors, a tremendous boost to its major businesses development.

Property Development and Investment

On 28 June 2017, the Group signed an agreement to fully acquire Shenzhen Borui for a total consideration of RMB950 million and completed the acquisition on 17 November 2017. Since the acquisition, the Group hold a 56.8% stake in Shenzhen Chaoshang Joint Investment Company Limited*(深圳潮商聯合投資有限公司) – which fully owned Chaoshang Group (Shantou) Investment Company Limited*(潮商集團(汕頭)投資有限公司), a 96.24% stake in Shantou Chaoshang Chengzhen Comprehensive Management Company Limited*(汕頭市潮商城鎮綜合治理有限公司), and a 7.24% stake in Shenzhen Chaoshang Equity Investment Fund Company Limited*(深圳潮商股權投資基金有限公司), Chaoshang Group (Shantou) Investment Company Limited and Shantou Chaoshang Chengzhen Comprehensive Management Company Limited owned several plots of land in Shantou city respectively. For details, please refer to the Company's announcement dated 28 June 2017 and circular dated 25 October 2017 respectively.

On 28 December 2017, the Company's wholly-owned subsidiary Shenzhen Baoxin New Sports Industry Co., Ltd. and Jilin Province Yue He Property Development Co., Ltd. succeeded in their joint bid for the right to use of the land listed for sale by the Changchun Bureau of Land and Resources. Located in Chaoyang District, Changchun City, the land, sold for a consideration of RMB359 million, reached Dongshun Street to the east, Jie Fang Da Lu to the south, Jilin University Library to the west and Peony Garden to the north. Shenzhen Baoxin New Sports Industry Co., Ltd. contributed RMB300 million whereas Jilin Province Yue He Property Development Co., Ltd. the remaining RMB59 million. On 28 December 2017, Changchun Bureau of Land and Resources, Shenzhen Baoxin New Sports Industry Co., Ltd. and Jilin Province Yue He Property Development Co., Ltd. signed the Letter of Confirmation for Land Acquisition and Contract for Transfer of Land Right to Use. According to the Contract for Transfer of Land Right to Use, the recipient of the transfer shall be the joint venture established by both companies. Measured a total of 12,003 square metres, the land, which had leasehold of 40 years, may be used for commercial service or vehicle parking purposes.

On 7 March, 2018, the Group's wholly-owned subsidiary Shenzhen Baoxin Industrial Co., Ltd. signed an agreement with Baoneng City Development and Construction Group Co., Ltd. (寶能城市發展建設集團有限公司) to acquire a 60% stake in Weinan Baoneng Property Co., Ltd. for a total of RMB180 million. Following the acquisition, Weinan Baoneng Property Co., Ltd. will become one of the Group's partially-owned subsidiaries. On 14 February 2018, Weinan Baoneng Property Co., Ltd. successfully acquired the right to use a plot of land in Weinan through bidding. For details, please refer to the Company's announcement dated 7 March 2018.

In addition to the above property and land investments, the Group also invested in some of the properties in Shenyang, Hefei and Shenzhen in the past year.

With reference to the above property and land acquisition projects, the Group is of the view that property investment expansion and property development will add capital to its cash flow, whereby realising a benign funds loop; coupled with the concept of "community sports", they can elevate the values of the property and real estate, promoting sports among the general public; through the management and operation of its properties, the Group can accumulate experience for its future construction and operation of larger sports centres and consolidate its fundamental business of "centre operation", generating continuous momentum to stabilising its cash flow and increasing the spending concentration of the general public. With reference to its acquisition of Shenzhen Borui, the Group anticipated promising prospects for the property development and investment market in Guangdong Province, China (particularly Chaoshan District), owing to the fact that the construction of the Guangdong-Hong Kong-Macao Bay Area had become one of China's significant strategic plans and the future joint development of the area and the Shen Shan Special Cooperation Zone. The acquisition also symbolised the Group's fundamental concentration on the sport-related industries and official entry into the property investment and development market.

Securities Investment

In 2017, the Group seized the opportunities to commence its stock investment business by investing in stocks listed on the Hong Kong Exchanges and Shanghai Stock Exchange and made securities investment one of its main businesses moving forward. The Group views that while investing in capital intensive assets, securities investment can play a complementary role with its brick-and-mortar businesses, forming a benign cycle in the Group's operations which leads to stable, sustainable development.

PROSPECTS

The year 2017 is a "year of strategy adjustment" for the Group. Through actions such as the withdrawal from its bad businesses and the acquisition of properties and lands, the Group has created its strategic business landscape centring on "Health and Sports, Cultural Tourism and Property Investment and Developments. Its business expansion into the securities investment arena will further lead the Group towards the strategic landscape of whole-chain business development. The Group officially entered the fast-tracked development path of diversity and sustainable cash flow, establishing foundation for its steady, swift and sustainable future development.

In 2018, the Group will steadily revolve around the strategic policies determined by its Board focusing on three areas, namely "Sports and Health, Cultural Tourism and Property Investment and Development" through multiple mergers and acquisitions, rapid expansion of its quality businesses, total assets growth, swiftly improved cash flow by means of several financing plans and market value increase. In addition, the Group will further optimise the internal management and operational development of its acquired multiple assets.

Looking ahead, the Group will follow the market trends, move forward steadily, rely on its firm business foundation, and be committed to the development of its renowned brands from an integrated platform in the sports cultural industry; it will also fully utilise the "innovative and integrative" development concepts in efforts to create a business-diverse enterprise with Chinese and international brand influence, foundation in the sports culture trade and concentrate development in real estate investment.

REVIEW OF RESULTS AND OPERATIONS

During the year ended 31 December 2017, the Group achieved approximately HK$191,519,000 in revenue, representing an increase of approximately 23.4% from that of approximately HK$155,207,000 for 2016. The significant increase in revenue was mainly attributable to the contribution of the revenue derived from the operation of marine sports base and sailing school which was recently acquired on December 2016 and the trading of commodity was recently introduced by the Group in 2017.

The Gross loss was approximately HK$42,772,000, comparing to the gross profit of approximately HK$46,139,000 for 2016. The overall gross profit ratio of approximately 29.7% became gross loss ratio of approximately 22.3%. The substantial decrease was mainly due to the decrease in revenue in mobile gaming industry for the Year. Besides, with respect to the operation of a yacht club and provision of training services, a gross loss resulted from the inclusion of the non-cash amortization expense of other intangible assets of approximately HK$61,388,000 into cost of sales.

During the Year, the Group's distribution costs amounted to approximately HK$7,473,000 (2016: approximately HK$3,839,000), representing an increase of approximately 94.7%. The increase was mainly derived from pre-sales of properties by real estate and property investment business which newly introduced by the company. The administrative expenses amounted to approximately HK$61,231,000 (2016: approximately HK$78,124,000) and research and development expenses amounted to approximately HK$1,178,000 (2016: approximately HK$36,121,000), representing a decrease of approximately 21.6% and 96.7% respectively when compared with the same period of last year. The decrease was mainly attributable to the Group's effective cost control measures.

During the Year, financial investment business was newly exploited by the Group, and was considered an ordinary and usual course of business. The Group's investments in the listed shares were recorded as financial assets at fair value through profit or loss on the consolidated balance sheet, which was approximately HK$8,972,000 as at 31 December 2017.

Substantial impairment for goodwill and other intangible assets of operation of software development in the PRC amounted to HK$75,263,000 and HK$19,996,000 respectively based on valuation of fair value changes in relevant businesses.

Besides, a fair value gain of approximately HK$161,199,000 resulted from the adjustment on contingent consideration payable in relation to the acquisition of Yue Jin Asia with reference to the projected financial performance of Yue Jin Asia for the year ended 31 December 2018.

Certain discontinued entities of our software development and P2P internet financing business with net liabilities were disposed of by the Group during the Year, which resulted in a one-time disposal gain of subsidiaries amounting to approximately HK$155,213,000, which comprises of gain on disposal of subsidiaries of approximately HK$158,813,000 and loss on disposal of a subsidiary of approximately HK$3,600,000 recognised in the consolidated statement of profit or loss. Income tax expense for the Year was approximately HK$3,541,000 as compared with an income tax expense for the same period of 2016 of approximately HK$2,950,000.

As a result of the above-mentioned factors, the Group recorded net profit of approximately HK$101,847,000 for the Year, as compared with the net loss of approximately HK$920,171,000 for 2016.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group had bank and cash balances of approximately HK$327,249,000 (2016: HK$473,499,000).

As at 31 December 2017, total borrowings of the Group amounted to approximately HK$1,492,657,000, of which equivalents of approximately HK$212,506,000 and approximately HK$1,280,151,000 are denominated in Hong Kong dollar and Renminbi respectively. The borrowings included corporate bond of approximately HK$137,126,000, pledged loan of approximately HK$75,380,000 and other unsecured borrowing of approximately HK$1,280,151,000. All loans bore fixed interest rates and exposed the Group to fair value interest rate risk. As at 31 December 2017, the gearing ratio of the Group was 0.627 (31 December 2016: 0.229), which is calculated based on the total debt (summation of borrowings and convertible bonds) divided by total equity as at the respective reporting date.

As at 31 December 2017, the Group had net current assets of approximately HK$1,037,993,000, as compared with balance of approximately HK$407,313,000 as at 31 December 2016.

CAPITAL EXPENDITURE

The total spending on the acquisition of property, plant and equipment amounted to approximately HK$16,513,000 for the Year (2016: approximately HK$1,494,000).

CHARGE OF ASSETS

As at 31 December 2017, certain listed equity securities in Hong Kong with an aggregate carrying value of approximately HK$124,200,000 were pledged to secure the relevant loans amount of HK$75,380,000. The carrying amount of properties for sale under development and a share charge over the entire issued capital of a wholly-owned subsidiary of the Group are pledged as security for banking facilities granted to a subsidiary of the Group amounted to approximately HK$1,221,773,000. As at 31 December 2016, other borrowings of HK$15,000,000 are secured by a share charge over the entire issued capital of a wholly-owned subsidiary of the Group and was repaid in full on 9 January 2017.

EMPLOYEE AND REMUNERATION POLICIES

The Group had 241 full time staff as at 31 December 2017 (2016: 215) 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. Save for the social insurance in China and the mandatory provident fund scheme in Hong Kong, the Group has not set aside or accrued any significant funds to provide for retirement or similar benefits for its employees. The staff costs incurred for the Year were approximately HK$44,945,000 (2016: approximately HK$62,477,000).

FOREIGN EXCHANGE AND CURRENCY RISKS

Most of the Group's revenue and expenses were generated from the PRC, and were denominated in Renminbi. During the Year, the Group had not hedged its foreign exchange risk because the exposure was considered insignificant. Our management will continue to monitor our foreign exchange exposure and will consider hedging the foreign currency exposure when it is necessary.

SHARE CAPITAL

Pursuant to an ordinary resolution passed on 20 December 2017, every twenty (20) ordinary shares of HK$0.0025 each in issue and unissued share capital of the Company were consolidated into one (1) ordinary share of HK$0.05 each in the issued and unissued share capital of the Company with effect on 21 December 2017.

On 4 December 2017, the Company entered into a subscription agreement in respect of the subscription of 340,521,351 ordinary shares of HK$0.05 each to Tengyue Limited at a price of HK$0.55 per share. The subscription was completed on 21 December 2017 and the premium on the issue of shares, amounting to approximately HK$170,260,676 was credited to the Company's share premium account. The Company issued and allotted 340,521,351 new shares on the same day.

The net proceeds, after deduction of relevant expenses, from the subscription is approximately HK$187,086,743.

By raising additional capital through issuance of new shares, the proceeds are used for the settlement of part of the outstanding balance of the consideration for the acquisition of Shenzhen Borui.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no material contingent liabilities.

CAPITAL COMMITMENTS

As at 31 December 2017, the Group's capital commitment was approximately HK$3,201,149,000 (2016: approximately HK$2,557,000) in respect of the purchase of property, plant and equipment and inventories amounted of approximately HK$5,198,000 and HK$3,195,951,000 respectively.

SHARE OPTIONS

2014 Share Option Scheme was adopted on 26 March 2014. As at 31 December 2017, the number of shares in respect of which options had been granted and remained outstanding was nil.

FINAL DIVIDEND

The directors of the Company do not recommend payment of any final dividend for the year ended 31 December 2017 (2016: Nil).

EVENTS AFTER THE REPORTING PERIOD

Increase in authorised share capital effective on 23 February 2018

As disclosed in the announcements of the Company dated 10 January 2018 and 31 January 2018 and the circular of the Company dated 5 February 2018, pursuant to an ordinary resolution passed by the shareholders of the Company (the "Shareholders") on 23 February 2018, the authorised share capital of the Company is increased from HK$200,000,000 divided into 4,000,000,000 ordinary shares of HK$0.05 each to HK$400,000,000 divided into 8,000,000,000 ordinary shares by the creation of an additional 4,000,000,000 new ordinary shares of HK$0.05 each.

Placing Agreement dated 10 January 2018 in relation to the placing of 1,634,502,485 Shares

As disclosed in the announcements of the Company dated 10 January 2018 and 20 March 2018 and the circular of the Company dated 5 February 2018, pursuant to an ordinary resolution passed by the Shareholders on 23 February 2018, the Company entered into a placing agreement with the placing agent in relation to the placing of 1,634,502,485 shares of HK$0.05 each at a price of HK$0.50 per share. The new shares were finally placed to six (6) independent investors. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, all investors are independent third parties of the Company and its connected persons. The premium on the issue of shares amounting to approximately HK$731,377,000, net of share issue expenses of HK$4,149,185, was credited to the Company share premium account. The placement was completed on 20 March 2018 and the Company issued and allotted a total of 1,634,502,485 new shares on 20 March 2018.

The Directors are of the view that it is in the interests of the Company to raise capital from the equity market in order to maintain the cash flow position of the Group and to enhance the capital and Shareholders' base of the Company for long-term development and further strengthen its financial position. The Directors (other than the independent non-executive Directors) considered the terms of the placing agreement to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

The independent non-executive Directors, who were appointed to the independent board committee, had given their view on the terms of the placing after considering the opinion of the independent financial adviser set out in the above-mentioned circular.

Subscription Agreement dated 10 January 2018 in relation to the subscription of 408,625,621 Shares

As disclosed in the announcements of the Company dated 10 January 2018 and 20 March 2018 and the circular of the Company dated 5 February 2018, pursuant to an ordinary resolution passed by the Shareholders on 23 February 2018, the Company entered into a subscription agreement in relation to the subscription of 408,625,621 shares of HK$0.05 each at a price of HK$0.50 per share to Tengyue Limited which was a substantial shareholder of the Company. The premium on the issue of shares amounting to approximately HK$183,882,000, was credited to the Company share premium account. The subscription was completed on 20 March 2018 and the Company issued and allotted a total of 408,625,621 new shares on 20 March 2018. Mr. Wu Teng through his interest in Tengyue Limited was deemed to be interested in a total of 749,146,972 shares, representing approximately 18.33% of the total issued capital of the Company after completion of the subscription.

The Directors are of the view that it is in the interests of the Company to raise capital from the equity market in order to maintain the cash flow position of the Group and to enhance the capital and Shareholders' base of the Company for long-term development and further strengthen its financial position. The Directors (other than the independent non-executive Director) considered the terms of the subscription agreement to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

The independent non-executive Directors, who were appointed to the independent board committee, had given their view on the terms of the subscription after considering the opinion of the independent financial adviser set out in the above-mentioned circular.

Acquisition of 60% equity interest of Weinan Company and related capital contribution to Weinan Company

As disclosed in the announcements of the Company dated 7 March 2018 and 13 March 2018 respectively, 深圳寶新實業有限公司 (Shenzhen Baoxin Industrial Company Limited*) ("SBIL") a wholly-owned subsidiary of the Company, entered into the equity acquisition agreement with 寶能城市發展建設集團有限公司(Baoneng City Development and Construction Company Limited*) ("Baoneng City Development"), pursuant to which SBIL agreed to acquire 60% equity interest of 渭南市寶能置業有限公司(Weinan Baoneng Property Company Limited) ("Weinan Company") from Baoneng City Development for the sum of RMB1 and undertake to make capital contribution of RMB180,000,000 to Weinan Company (being 60% of the registered capital of Weinan Company). On 14 February 2018, Weinan Company has succeeded in the bid for the land use rights of a piece of land situated at 中國陝西省渭南市雙王大街與渭清路十字東南區域，宗地編號1-6-179 (southeast area of the Cross Section between Shuang Wang Main Road and Wei Qing Road, Weinan City, Shaanxi Province, PRC under code 1-6-179) ("Weinan Land") at the consideration of RMB203,090,000 and has executed a land acquisition confirmation relating to Weinan Land. Prior to the said bid, Weinan Company has not carried on any business. Upon completion of acquisition of equity interest, Weinan Company will become a non-wholly owned subsidiary of the Company. To the best of the Directors' knowledge, information and belief. Having made all reasonable enquiry, as at the dates of both announcement, each of Baoneng City Development and Weinan Company is a third party independent of the Company and the connected person of the Company.

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 of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standards set out in the Model Code and the Code of Conduct during the year ended 31 December 2017.

CORPORATE GOVERNANCE

The Company emphasizes on corporate governance and committed to maintaining high standard of corporate governance which is reviewed and strengthened from time to time. During the year under review, the Company has applied and complied with the applicable provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules, except the deviation disclosed herein.

Deviation

	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.

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

None of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders who are entitled to attend and vote at the annual general meeting of the Company to be held on 18 May 2018 (the "2018 Annual General Meeting"), the register of members of the Company will be closed from Tuesday, 15 May 2018 to Friday, 18 May 2018, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for attending and voting at the

2018 Annual General Meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Monday, 14 May 2018.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audited Committee") with written terms of reference in compliance with the 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 Dr. Tang Lai Wah (Chairman), Mr. Chen Zetong and Ms. He Suying.

The Audit Committee has reviewed and approved the preliminary announcement of the Group's result for the year ended 31 December 2017.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Company's auditors, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2017. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.newsportsgp.com) and The Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

The annual report of the Company for the year ended 31 December 2017 containing all the information required by the Listing Rules shall be despatched to the Shareholders and made available on the abovementioned websites in due course.

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

Hong Kong, 23 March 2018

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

The announcement has been printed in English and Chinese. In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

* *The English translations in this announcement, where indicated denote for identification purposes only.*