New Sports Group Limited
新體育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 299)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The directors (the "Directors") of New Sports Group Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018 (the "Period"), which has been reviewed by the audit committee of the Company (the "Audit Committee").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Note	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Continuing operations			
Revenue	*3*	**891,924**	27,502
Cost of sales		**(871,512)**	(61,544)
Gross profit/(loss)		**20,412**	(34,042)
Distribution costs		**(21,897)**	(210)
Administrative expenses		**(37,731)**	(27,273)
Research and development expenses	*5*	**(1,191)**	(205)
Realised gain on contingent consideration receivable		—	229,384
Gain on disposal of subsidiaries		—	165,479
Gain on bargain purchase		**102,024**	—
Fair value gain on investment properties		**175,098**	33,388
Fair value loss on derivative financial assets	*11*	**(870)**	(2,912)

	Note	Six months ended 30 June 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Fair value gain on equity investments at fair value through profit or loss		—	30,698
Fair value (loss) /gain on contingent consideration payable	*15*	**(6,992)**	212,521
Impairment losses on goodwill	*9*	—	(75,263)
Impairment losses on other intangible assets	*10*	—	(13,984)
Impairment loss on other receivable		—	(284,458)
Other income, (losses)/gains		**(6,289)**	25,962
Profit from operations		**222,564**	259,085
Finance costs		**(39,744)**	(29,235)
Profit before tax		**182,820**	229,850
Income tax expense	*4*	**(36,040)**	(12,658)
Profit for the period from continuing operations		**146,780**	217,192
Discontinued operation			
Loss for the period from discontinued operation		—	(9,836)
Profit for the period	*5*	**146,780**	207,356
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Fair value changes of equity investments at fair value through other comprehensive income		**(23,590)**	—
		(23,590)	—
Items that will be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**30,130**	(11,758)
Exchange differences reclassified to profit or loss on disposal of subsidiaries		—	23,740
		30,130	11,982
Other comprehensive income for the period, net of tax		**6,540**	11,982
Total comprehensive income for the period		**153,320**	219,338

	Note	Six months ended 30 June 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Profit for the period attributable to:			
Owners of the Company		**114,788**	208,262
Non-controlling interests		**31,992**	(906)
		146,780	207,356
Total comprehensive income for the period attributable to:			
Owners of the Company		**123,290**	220,303
Non-controlling interests		**30,030**	(965)
		153,320	219,338
Earnings per share			
From continuing and discontinued operations			(represented)
— Basic	*7*	**HK3.586 cents**	HK12.232 cents
— Diluted	*7*	**HK3.586 cents**	HK12.232 cents
From continuing operations			(represented)
— Basic	*7*	**HK3.586 cents**	HK12.810 cents
— Diluted	*7*	**HK3.586 cents**	HK12.810 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Note	**30 June 2018 HK$'000 (unaudited)**	31 December 2017 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**79,117**	63,230
Investment properties	*8*	**1,291,429**	724,333
Goodwill	*9*	**204,262**	187,486
Other intangible assets	*10*	**797,431**	832,821
Prepaid lease payments		**112,341**	—
Equity investments at fair value through other comprehensive income		**356,308**	—
Available-for-sale financial assets		**—**	13,222
Derivative financial assets	*11*	**5,965**	6,835
Deferred tax assets		**69,685**	33,242
		2,916,538	1,861,169
Current assets			
Inventories	*12*	**5,046,059**	2,306,317
Gross amount due from customers for contract works		**586,543**	648,822
Trade and other receivables	*13*	**1,159,673**	559,138
Equity investments at fair value through profit or loss		**58,804**	263,333
Bank and cash balances		**1,002,426**	327,249
		7,853,505	4,104,859
Current liabilities			
Borrowings		**2,561,235**	1,355,531
Corporate bonds		**503,994**	137,126
Trade and other payables	*14*	**2,083,929**	552,229
Consideration payable		**—**	901,500
Contingent consideration payable		**100,992**	—
Receipts in advance		**517,065**	47,144
Financial guarantees	*15*	**61,463**	—
Current tax liabilities		**65,735**	73,336
		5,894,413	3,066,866
Net current assets		**1,959,092**	1,037,993
Total assets less current liabilities		**4,875,630**	2,899,162

	Note	**30 June 2018** *HK$'000* **(unaudited)**	31 December 2017 *HK$'000* (audited)
Non-current liabilities			
Borrowings		**307,032**	—
Consideration payable		**118,379**	112,497
Contingent consideration payable		**—**	94,000
Financial guarantees	*15*	**75,118**	—
Deferred tax liabilities		**491,505**	312,707
		992,034	519,204
NET ASSETS		**3,883,596**	2,379,958
Capital and reserves			
Share capital	*16*	**204,312**	102,156
Reserves		**2,695,854**	1,657,306
Equity attributable to owners of the Company		**2,900,166**	1,759,462
Non-controlling interests		**983,430**	620,496
TOTAL EQUITY		**3,883,596**	2,379,958

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

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

These condensed consolidated financial information have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies (e.g. investment properties, equity investments, equity instruments and contingent consideration payable).

These condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2017 except as stated below:

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair value and are subsequently measured at the higher of:

- The amount of the obligations under the contracts, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

- The amount initially recognised less cumulative amortisation recognised in profit or loss on a straight-line basis over the terms of the guarantee contracts.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

3. SEGMENT INFORMATION

The Group has five operating segments 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

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 six months ended 30 June 2018

	Discontinued			Continuing						
6 months ended 30 June 2018 (unaudited):	P2P financial intermediary services in the PRC *HK$'000*	Software development in the PRC *HK$'000*	Football club in the PRC *HK$'000*	Provision of online game services in PRC *HK$'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*	Unallocated *HK$'000*	Total *HK$'000*
Revenue	–	–	–	4,798	49,899	29,753	682,334	143,431	(18,291)	891,924
Cost of sales	–	–	–	(8,512)	(17,583)	(21,229)	(680,080)	(143,302)	(806)	(871,512)
Gross (loss)/profit	–	–	–	(3,714)	32,316	8,524	2,254	129	(19,097)	20,412
Distribution costs	–	–	–	(18,183)	(434)	(2)	(3,278)	–	–	(21,897)
Administrative expenses	–	–	–	(6,121)	(1,846)	(1,040)	(10,122)	(979)	(808)	(20,916)
Research and development expenses	–	–	–	(1,191)	–	–	–	–	–	(1,191)
Segment results	–	–	–	(29,209)	30,036	7,482	(11,146)	(850)	(19,905)	(23,592)
Gain on bargain purchase										102,024
Fair value gain on investment properties										175,098
Fair value loss on derivative financial assets										(870)
Fair value gain on contingent consideration payable										(6,992)
Other income, gains/(losses)										(6,289)
Finance costs										(39,744)
Unallocated corporate expenses										(16,815)
Profit before tax										182,820

For the six months ended 30 June 2017 (unaudited)

6 months ended 30 June 2017 (unaudited):	Discontinued			Continuing					
	P2P financial intermediary services in the PRC *HK$'000*	Software development in the PRC *HK$'000*	Provision of online game services in the PRC *HK$'000*	Football club in the PRC *HK$'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	–	–	23,351	–	1,662	2,489	–	–	27,502
Cost of sales	–	–	(33,500)	–	(16,445)	(11,599)	–	–	(61,544)
Gross (loss)/profit	–	–	(10,149)	–	(14,783)	(9,110)	–	–	(34,042)
Distribution costs	–	–	(146)	–	(64)	–	–	–	(210)
Administrative expenses	–	(297)	(7,847)	(142)	(632)	(1,569)	–	–	(10,487)
Research and development expenses	–	–	(205)	–	–	–	–	–	(205)
Impairment on other intangible assets	–	–	(13,984)	–	–	–	–	–	(13,984)
Segment results	–	(297)	(32,331)	(142)	(15,479)	(10,679)	–	–	(58,928)
Realised gain on contingent consideration receivable									229,384
Gain on disposal of subsidiaries									155,643
Fair value gain on investment properties									33,388
Fair value loss on derivative financial assets									(2,912)
Fair value gain on financial assets at fair value through profit or loss									30,698
Fair value gain on contingent consideration payable									212,521
Impairment losses on goodwill									(75,263)
Impairment loss on other receivable									(284,458)
Other income, gains/(losses)									25,962
Finance costs									(29,235)
Unallocated corporate expenses									(16,786)
Profit before tax									220,014

As at 30 June 2018

	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	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	–	–	–	1,797	391,997	772,698	8,476,144	30	118,813	9,761,479
Unallocated assets										1,008,564
Consolidated total										10,770,043
Segment liabilities	–	–	–	62,517	139,662	158,828	5,492,382	711	120,128	5,974,228
Unallocated liabilities										912,219
Consolidated total										6,886,447

As 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	Unallocated	Total
	HK$'000	*HK$'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

4. INCOME TAX EXPENSE

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

	Note	Six months ended 30 June **2018** **HK$'000** **(unaudited)**	2017 *HK$'000* (unaudited)
Current tax:			
Hong Kong Profit Tax	*(a)*	**—**	4,473
PRC Enterprise Income Tax	*(a)*	**25,076**	400
PRC Land Appreciation Tax	*(b)*	**8,955**	—
		34,031	4,873
Deferred tax:			
Current period		**2,009**	7,785
		36,040	12,658

(a) Corporate Income Tax

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit in Hong Kong for the six months ended 30 June 2018. Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the six months ended 30 June 2017.

PRC Enterprise Income Tax has been provided at a rate of 25% (six months ended 30 June 2017: 25%).

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

(b) PRC Land Appreciation Tax

PRC Land Appreciation Tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures, which is included in the consolidated statement of profit or loss as income tax. The Group has estimated the tax provision for PRC Land Appreciation Tax according to the requirements set forth in the relevant PRC tax laws and regulations. The actual PRC Land Appreciation Tax liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for PRC Land Appreciation Tax is calculated.

5. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Amortisation of other intangible assets (included in cost of services)	**24,782**	30,716
Allowance for doubtful debts	—	1,060
Depreciation of property, plant and equipment	**1,357**	3,333
Directors' remuneration	**1,654**	1,483
Realised gain on contingent consideration receivable	—	(229,384)
Interest income from bank balances	**(676)**	(598)
Net foreign exchange loss	**35,200**	2,362
Operating lease charges in respect of office premises	**3,480**	3,245
Research and development expenses	**1,191**	205
Impairment losses on goodwill	—	75,263
Impairment losses on other intangible assets	—	13,984
Impairment losses on other receivables	—	284,458
Gain on disposal of subsidiaries	—	(165,479)
Fair value gain on investment properties	**(175,098)**	(33,388)
Fair value loss on derivative financial assets	**870**	2,912
Fair value gain on financial assets at fair value through profit or loss	—	(30,698)
Fair value loss/(gain) on contingent consideration payable	**6,992**	(212,521)

Research and development expenses include staff costs of approximately HK$1,191,000 (2017: HK$203,000).

6. DIVIDENDS

The Directors did not recommend payment of an interim dividend for the current Period (2017: Nil).

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following:

	Six months ended 30 June	
	2018	2017
	'000	*'000*
	(unaudited)	(unaudited)
		(represented)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**3,200,901**	1,702,607

From continuing and discontinued operations

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit		
Profit for the purpose of calculating basic earnings per share	**114,788**	208,262

From continuing operations

The calculation of the basic earnings per share from continuing operations is based on the following:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit		
Profit for the purpose of calculating basic earnings per share	**114,788**	208,262
Less: Loss for the period from discontinued operation (attributable to the Company)	**—**	(9,836)
Profit for the purpose of calculating basic earnings for share from continuing operations	**114,788**	218,098

From discontinued operation

Basic earnings per share from the discontinued operation is HK$Nil per share (2017: loss of HK0.578 cents per share), based on the loss for the Period from discontinued operation attributable to the owners of the Company of HK$Nil (2017: loss of approximately HK$9,836,000) and the denominators used are the same as those detailed above for basic earnings/(loss) per share.

The effects of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2017 and 2018.

8. INVESTMENT PROPERTIES

During the six months ended 30 June 2018, the Group acquired investment properties of approximately HK$331,807,000 (2017: HK$316,659,000) through acquisition of a subsidiary, of which approximately HK$Nil (2017: HK$221,187,000) was transferred from deposits paid for acquisition of investment properties.

At 30 June 2018, the carrying amount of investment properties amounting to HK$399,497,000 (2017: HK$Nil) is pledged as security for the Group's bank loans.

At 30 June 2018, the carrying amount of investment properties amounting to HK$331,801,400 (2017: HK$Nil) is pledged for provision of financial guarantees to associated parties of a non-controlling interest holder of a subsidiary.

9. GOODWILL

	HK$'000
Cost	
At 1 January 2017 (audited)	952,310
Derecognised on disposal of subsidiaries	(322,861)
Exchange differences	52,272
At 31 December 2017 and 1 January 2018 (audited)	681,721
Arising on acquisition of subsidiaries	19,358
Exchange differences	(9,387)
At 30 June 2018 (unaudited)	691,692
Accumulated impairment	
At 1 January 2017 (audited)	702,396
Impairment loss recognised in current period	75,263
Derecognised on disposal of subsidiaries	(320,861)
Exchange differences	37,437
At 31 December 2017 and 1 January 2018 (audited)	494,235
Exchange differences	(6,805)
At 30 June 2018 (unaudited)	487,430
Carrying amount	
At 30 June 2018 (unaudited)	204,262
At 31 December 2017 (audited)	187,486

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

	30 June 2018 *HK$'000* **(unaudited)**	31 December 2017 *HK$'000* (audited)
Provision of online game services		
Kingworld Holding Limited	**—**	—
Operation of a yacht club		
Shenzhen Dapeng Yacht Club Company Limited ("Dapeng Yacht Club")	**70,292**	71,274
Provision of international education services		
Shenzhen Dapeng International Education Company Limited ("Dapeng International Education")	**114,612**	116,212
Real estate and property investment		
Yunfu Baoneng Property Limited ("Yunfu Baoneng")	**19,358**	—
	204,262	187,486

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

The Group prepares cash flow forecasts of 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 2.7% and 3.0% respectively. This rate does not exceed the average long-term growth rate for the relevant markets.

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

Dapeng Yacht Club: 17% (2017: 17%)

Dapeng International Education: 18% (2017: 18%)

At 30 June 2018, before impairment testing, goodwill of HK$70,292,000 and HK$114,612,000 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 as at 30 June 2018, no impairment loss has been recognised in profit or loss.

At 30 June 2018, before impairment testing, goodwill of HK$19,358,000 was allocated to Yunfu Baoneng within the real estates and property investments segment. Based on its recoverable amount as at 30 June 2018, no impairment loss has been recognised in profit or loss.

10. OTHER INTANGIBLE ASSETS

During the Period, the Group did not purchase and dispose of other intangible assets.

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 2.7% and 3.0% respectively. This rate does not exceed the average long-term growth rate for the relevant markets.

11. DERIVATIVE FINANCIAL ASSETS

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
Non-current:		
Financial assets		
Put option	**5,965**	6,835

As a part of the consideration for the acquisition of Yue Jin Asia Limited ("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 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 Valtech 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).

12. INVENTORIES

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

As at 30 June 2018, the carrying amount of properties for sale under development amounting to approximately HK$968,583,000 (2017: HK$Nil) are pledged as security for bank loans granted to the Group.

As at 30 June 2018, the carrying amount of properties for sale under development amounting to approximately HK$344,966,000 (2017: HK$Nil) are pledged for provision of financial guarantees to associated parties of a non-controlling interest holder of a subsidiary.

As at 30 June 2018, the carrying amount of properties for sale under development amounting to approximately HK$177,837,000 (2017: HK$Nil) are pledged for provision of financial guarantees to an associated party of a former equity holder of a subsidiary.

13. TRADE AND OTHER RECEIVABLES

	30 June 2018 *HK$'000* **(unaudited)**	31 December 2017 *HK$'000* (audited)
Trade receivables	**28,214**	38,979
Other receivables	**547,295**	20,237
Interest receivables	**16,420**	3,518
Loan receivables	**120,646**	340,684
Compensation receivables	**37,934**	78,130
Consideration receivables	—	41,170
Other deposits	**138,912**	16,606
Prepayments	**270,252**	19,814
Total trade and other receivables	**1,159,673**	559,138

The Group generally allows an average credit period of 120 days (31 December 2017: 120 days) for its game distribution platforms, 90 days (31 December 2017: 90 days) for its game development customers and 30 days (31 December 2017: 30 days) for its advertising customers.

As at 30 June 2018, the amount of HK$120,646,000 (31 December 2017: HK$124,324,000) due from a non-controlling equity holder of a subsidiary is secured by the right to receive dividends from the subsidiary, bearing interest at rates ranging from 5% to 25% per annum and repayable within one year.

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

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0-30 days	**1,021**	12,196
31-60 days	**1,180**	14,851
61-90 days	**17,665**	702
91-180 days	**1,117**	11,230
181-360 days	**7,231**	—
	28,214	38,979

14. TRADE AND OTHER PAYABLES

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables	**1,310,787**	364,878
Wages and salaries payables	**27,301**	20,846
Accruals	**4,581**	12,422
Other tax payables	**2,864**	7,518
Other payables	**738,396**	146,565
	2,083,929	552,229

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

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

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0-30 days	**404,336**	207,029
31-60 days	**303,047**	—
61-90 days	**15,210**	—
91-180 days	**346,020**	157,849
181-360 days	**23,536**	—
Over 360 days	**218,638**	—
	1,310,787	364,878

15. FINANCIAL GUARANTEES

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
Fair value of financial guarantees	**136,581**	—

(a) At 30 June 2018, the Group has issued certain guarantees of HK$35,341,000 (2017: HK$Nil) to some banks in respect of banking facilities granted to an associated party of a former equity holder of a subsidiary. Under the guarantees, the Group and the associated party are jointly and severally liable for all or any of the borrowings of each of them from the banks upon failure of the guaranteed entity to make payments when due.

The maximum liability of the Group at 30 June 2018 under guarantees is the amount of bank loans drawn under the guarantees at that date of HK$355,635,000 (2017: HK$Nil).

(b) At 30 June 2018, the Group has issued certain guarantees of HK$101,240,000 (2017: HK$Nil) to some banks in respect of banking facilities granted to the associated parties of a non-controlling interest equity holder. Under the guarantees, the Group and the associated parties are jointly and severally liable for all or any of the borrowings of each of them from the banks upon failure of the guaranteed entities to make payments when due.

The maximum liability of the Group at 30 June 2018 under guarantees is the amount of bank loans drawn under the guarantees at that date of HK$792,473,000 (2017: HK$Nil).

The carrying amount of financial guarantee contracts are analysed as follows:

	30 June 2018 *HK$'000*	31 December 2017 *HK$'000*
Non-current portion	**75,118**	—
Current portion	**61,463**	—
	136,581	—

16. SHARE CAPITAL

	2018		2017	
	Number of shares ***'000***	***HK$'000***	Number of shares *'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.05 (2017: HK$0.05) each				
At the beginning of the period/year	**4,000,000**	**200,000**	80,000,000	200,000
Consolidation of shares	**—**	**—**	(76,000,000)	—
Increase in capital	**4,000,000**	**200,000**	—	—
At 30 June/31 December	**8,000,000**	**400,000**	4,000,000	200,000
Issued and fully paid:				
At the beginning of the period/year	**2,043,128**	**102,156**	34,052,135	85,130
Consolidation of shares	**—**	**—**	(32,349,528)	—
Shares issued on placements	**1,634,502**	**81,725**	—	—
Shares issued on subscription	**408,626**	**20,431**	340,521	17,026
At 30 June/31 December	**4,086,256**	**204,312**	2,043,128	102,156

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND MARKET OVERVIEW

The growth of the global economy witnessed the broadest acceleration in 2017, however, the momentum of economic recovery has begun to lose its steam in early 2018. Meanwhile, the development of the Chinese economy also entered into a critical stage of transition in development mode, optimization of economic structure and change in growth forces. Nevertheless, the sports industry in China will be able to maintain a faster growth track in the coming decade or beyond, emerging as a pillar industry and making a greater contribution to the national economy. On another front, the real estate industry in China has entered into a new stage of development in the first half of 2018, of which the irrational demand continued to be forcefully suppressed while the medium to long term supply structure became the focus of adjustment.

China has spared no effort in promoting and supporting the development of the sports industry in recently years. The General Administration of Sport of China promulgated the 13th Five-Year Plan for Sports Industry Development in 2016, (the "13th Five-Year Plan"), stating that the sports industry in China should have a total industrial value exceeding RMB3 trillion by 2020 with over 6 million practitioners. The added value of the sports industry should account for 1% of the gross domestic product (the GDP) and the sports service sector's added value should contribute over 30%. The development of competition performance, leisure fitness, stadium service, sports intermediary, sports training, sports media, sports goods and sports lotteries should be placed in priority. Since then, the development of the sports industry in China has been flourishing, with mid-range to high-end sports such as diving, camping, sailing, mountaineering, canoe/kayak and golf beginning to witness accelerated growth. On top of this, demand for sports training has surged rapidly, mainly including various types of activities such as extracurricular training for children and youth, as well as outdoor team building, development and training for adults.

In the first half of 2018, irrational demand continued to be forcefully suppressed as part of the real estate policy regulatory measures in China, with the stance of "flats are built for dwelling, not for speculation" strongly adhered to and differentiated regulatory measures further implemented. In addition, emphasis was placed on increasing and putting into practice "effective supply" to solve the mismatch in demand and supply structure by focusing on the "supply-side" under which planning for residential housing development, medium to long term plans for land supply, and expansion of the proportion of affordable housing and public rental housing under policy support were successively implemented in major cities. Channels were also expanded in terms of land supply, project development and housing stock to further ensure "effective supply". From the long-term perspective, the forceful regulation targeted at the real estate market by the government should be beneficial for the sound and sustainable development of the real estate market in China.

Through the dual-pronged approach of regulation of short-term demand (suppressing irrational demand) and medium to long term supply-side reform (ensuring effective supply), the real estate market in China should be back on the right track.

Reforms bring opportunities. The forceful regulation of the real estate market in China will certainly bring about a reshuffle of market dynamics, and the phenomenon of "the strong becoming even stronger" will mark the beginning of the 2.0 era of the real estate industry in China. Under the impact of the regulation by national policies and changes in the market, only property development enterprises highly resilient to risks can maintain a foothold and at the same time take over the quality resources of losers at a low cost on an ongoing basis to reinforce their capabilities and become even stronger. Looking ahead, the volatile dynamics of the trade war between China and the United States may become a common scene for the second half year of 2018. Weaker overseas demand will put pressure on the economy of China, and monetary policy is likely to remain neutral. Stronger coordination between tight credit policy and loose monetary policy will bring market liquidity. It is expected that the market will progressively restore rationality with the longer short-term regulation cycle, more precise policy-making based on the unique circumstances of each municipality and more forceful regulation of the real estate sector. In the second half of the year, it is anticipated that the sale of commodity housing will be scaled down nationwide accordingly. Benefiting from the more balanced overall demand and supply, selling price will tend to level off and investment in new construction and development projects of commodity housing will continue to grow steadily.

The Group believes that the year of 2018 signifies a "year of further refinement", during which the Group will see property investment and development as its strategic focus, as well as its core business focus, by doing broader and deeper research on the latest national real estate policies, catering for market changes and grasping opportunities for reform. Meanwhile, using sports culture as a driving force, the Group will strive to consolidate fundamental business and continue to explore new business development opportunities concentrating on mid-range and high-end sports projects, such as sports training and leisure sports. The Group considers that greater resource allocation for heavy assets like property investment and development can significantly boost its core competitiveness and overall future revenue, while innovative development of the cultural sports industry can enhance its brand influence and lay a foundation for multi-faceted development of its industries.

BUSINESS REVIEW

Cultural Sports

New Sports Marine Sports Centre ("Sports Centre") and New Sports Marine Training Centre ("Training Centre") operated by the Group are both among the Group's core cultural sports business. The Sports Centre is a leisure tourism platform offering yacht berthing and rental services, yachting training, diving training, running competitions, and provision of vacation and leisure facilities, which provides appropriate venues and facilities to promote mid-range and high-end sports such as diving, sailing, canoeing/kayaking and other marine activities. In the first half of 2018, the Sports Centre hosted, co-organised and provided venue support or other support for nearly 30 competitions and charitable events with the aim of promoting marine sports culture. In doing so, a number of loyal members and fans were recruited. The Training Centre is an outward-bound training base offering teaching and sports venues as well as complementary services such as accommodation and catering. Since the completion of hardware and software upgrades, it has built solid partnerships with nearly 20 renowned enterprises which are in need of outward-bound training. Building as an ideal place for holding team-building activities in spare time, the Training Centre has accomplished a good reputation and recognition from many users who have experienced the facilities and services there.

On 28 March 2018, Shenzhen Baoxin Wenti Company Limited*（深圳寶新文體有限公司）, a wholly-owned subsidiary of the Company, entered into a 17-year lease of Shenzhen Green Bay Golf Driving Range located in Tonggu Bao, Xixiang Central Business Zone, Bao'an District, Shenzhen*（深圳市寶安區西鄉商業中心銅鼓堡）with Shenzhen Green Bay Golf Club Company Limited*（深圳市碧海灣高爾夫俱樂部有限公司）. In the past, golf was often viewed as a kind of minority sports for the wealthy and the elite owing to the restrictions on government policies and constraints on economic development standards. The incorporation of golf into the scope of competitive sports in the 13th Five-Year Plan has, however, acknowledged the nature of golf as a sport. Moreover, the continuous growth in national household income has made golf economically accessible to a considerable number of customers. The Group considers that the golf industry in China will develop rapidly due to the supportive factors as said. The unequivocal incorporation of golf into the fitness and leisure industry system by China implies that golf is no longer an "aristocratic sport" merely for a selected few, but rather a sport for the general public sooner or later, serving public health and economic development.

Thanks to the numerous events held by the Sports Centre and the Training Centre as well as continuous media dissemination, the brand recognition of the Group's marine culture among the public has grown significantly. The Group is now committing itself to promoting new and diverse products and services to cater for the needs of different customers, thereby improving its financial performance to attain a balance between income and expenditure in general and hence provide the necessary conditions for its healthy and sustainable business operations and development. In the long run, benefiting from the Shenzhen government's Eastward Shift Strategic Action Plan and the Global Tourism Demonstration Area in Dapeng New District, coupled with the advantage that the Sports Centre and the Training Centre offer a coastal marine sports competition stadium and an integrated training base surrounded by the mountains and the sea, it is firmly believed that the Group is able to take a lead in the sports tourism and sports training industries, which will make a tremendous contribution to the Group's business development.

Property Investment and Development

After acquiring certain land parcels in Chaoshan region by the end of 2017 through the acquisition of the equity interest of Shenzhen Borui and successfully bidding for the development and operation rights of a land parcel located in Chaoyang District, Changchun, the Group further secured new land development projects by acquiring more than half of the equity interests of local property development enterprises in Weinan City, Shaanxi (Weinan Project Company), Changsha City, Hunan (Hunan Project Company) and Yunfu City, Guangdong (Yunfu Project Company), the PRC, respectively, during the first half of 2018.

As set out in the 2017 annual report of the Company, on 7 March 2018, the Group acquired 60% equity interest in Weinan Project Company, for a consideration of RMB1 and an obligation to make a capital contribution of RMB180 million to Weinan Project Company. On 14 February 2018, Weinan Project Company won the bid for the land use rights of the land parcel in Weinan. For details, please refer to the Company's announcement dated 7 March 2018.

In addition, during the Period, the Group injected an amount of RMB200 million into Hunan Project Company and acquired 51% equity interest in the company from upon the completion of such capital contribution investment. Hunan Project Company is principally engaged in land development and operations. It also holds a total of 7 land parcels covering a total area of approximately 370,000 square meters located at Gaoqiao Village, Gaoqiao County, Yuhua District, Changsha, the purposes of which are for commercial and residential uses, as well as other commodity residential properties. For details, please refer to the Company's announcement dated 26 April 2018.

More recently on 27 June 2018, the Group entered into an agreement in respect of acquiring the entire equity interest in Yunfu Project Company, for a consideration of RMB30 million. Yunfu Project Company had already obtained the land use rights of a land parcel located at 131 Foshan (Yunfu) Industry Park for Industrial Transfer, Duyang Town, Yun'an District, Yunfu* (雲浮市雲安區都楊鎮佛山(雲浮)產業轉移工業園131號), in early years.

In addition to the above, the Group also has some real estate investments in Shenyang, Hefei and Shenzhen.

Currently, the Group's various property development projects are in their preliminary stage of development. The urbanization in China has entered into a new era, i.e. a new economic growth pillar has been shaped centered on some second-tier and third-tier metropolitan cities. The Group believes that acquiring property projects in second-tier and third-tier cities will bring the Group tremendous revenue and serve as a constant driving force for stabilising cash flows and boosting consumer loyalty among the public. This, together with the inclusion of the Guangdong-Hong Kong-Macao Greater Bay Area into China's significant strategy and the future integrated development within the Shenzhen-Shanwei Special Cooperation Zone, will offer promising prospects for the property development and investment market in Guangdong Province of China. In the meantime, the Group foresees that substantial cash flows will be generated from sales proceeds when the said property development projects are harvested successively in the upcoming three years, forming a benign funds loop that can help the Group tap into the property investment and development market in an accelerated and smooth manner.

Securities Investment

The securities investment of the Group spans across listed companies, the shares of which are listed on Shenzhen Stock Exchange, Shanghai Stock Exchange and Hong Kong Stock Exchange, most of which are promising listed companies engaging in business related to the Group or capable of sustaining high growth. With a focus on the business of the investee companies, the Group also aims at exploring opportunities for establishing business cooperation with such entities. The Group believes that conducting securities investment while expanding the scale of heavy assets will complement substantial businesses, resulting in a beneficial development for both sides. This is conducive to the Group in establishing a virtuous circle in its operation, which in turn strengthens the Group's sustainable development.

As at 30 June 2018, the Group held equity investment at fair value through other comprehensive income and equity investment at fair value through profit or loss of HK$356,308,000 and HK$58,804,000 respectively.

OUTLOOK

As mentioned above, the year 2018 represents a "year of further refinement" for the Group. The Group has successfully implemented the development plans of expanding its total assets and rapidly growing its property development business as scheduled earlier by means of various rounds of corporate mergers and acquisitions during the first half of 2018. The Group will implement further to enhance its internal management and business development plans focusing on various acquired property assets and business projects, while striving to develop and promote its renowned brand as an integrated platform in the cultural sports industry. The Group will accord top priority to the interests of shareholders and investors and remain committed to achieve its refined strategy of pursuing high quality and revenue, together with wholesome development by means of upholding property investment and development as its core business, with cultural sports as a focal point and upgraded properties as the mainstay.

In the second half of 2018, the Group will concentrate on the two pillar industries of "property investment and development, cultural sports" through the adoption of "double-drive" strategy. By continuously optimizing internal resources while steadily expanding external operations, the two pillar industries will achieve sound development and effective synergy. The Group will step up property investment and development on top of operation of sports stadium, sports training, running of competitions and events and sports tourism to achieve the parallel development of the Group's various business segments.

REVIEW OF RESULTS AND OPERATIONS

During the Period, the Group achieved approximately HK$891,924,000 in revenue, representing a significant increase of approximately 3,143% from that of approximately HK$27,502,000 during the corresponding period of last year. The fast growth in revenue was mainly attributable to the contribution of the revenue derived from the recognition of sales of properties of our newly acquired subsidiary in Hunan and the trading of commodities.

Gross profit was approximately HK$20,412,000, comparing to the gross loss of approximately HK$34,042,000 during the corresponding period of last year. The overall gross loss ratio of approximately 123.7% became gross profit ratio of approximately 2.3%. The substantial increase in gross profit was mainly due to the contributions from the operation of a yacht club and provision of training services.

During the Period, the Group's distribution costs amounted to approximately HK$21,897,000 (six months ended 30 June 2017: approximately HK$210,000) representing an increase of approximately 10,327% was attributable to the promotion cost of online game service incurred in the PRC. Also, as the Group further increased its property marketing efforts to accelerate the pre-sales and sales of its properties under development in 2018, the distribution costs had increased significantly as compared with the corresponding period of last year.

The Group had expedited the real estate and property investment business by expanding its operation scale. As a result, administrative expenses was increased by approximately 38% when compared with the corresponding period of last year which amounted to approximately HK$37,731,000 (six months ended 30 June 2017: approximately HK$27,273,000).

Research and development expenses during the Period was approximately HK$1,191,000 (six months ended 30 June 2017: approximately HK$205,000), representing an increase of approximately 481% compared to the corresponding period of last year.

As at 30 June 2018, no impairment for goodwill and other intangible assets was incurred. As at 30 June 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$13,984,000 respectively based on valuation of fair value changes in relevant businesses.

Besides, fair value loss of approximately HK$6,992,000 (six months ended 30 June 2017: gain on approximately HK$212,521,000) resulted from the adjustment on contingent consideration in relation to the acquisition of Yue Jin Asia Limited ("Yue Jin Asia") with reference to the projected financial performance of Yue Jin Asia for the year ending 31 December 2018.

The properties portfolio of the Group comprised residential and commercial properties in Shenyang, Hefei and Shenzhen, as well as certain properties under construction in Shantou which held for investment purpose. As at 30 June 2018, the gain resulted from the fair value gain of those investment properties amounted to approximately HK$175,098,000 (six months ended 30 June 2017: approximately HK$33,388,000) was recognized.

In addition, the Group recognised a gain on bargain purchase from business combination of approximately HK$102,024,000 (six months ended 30 June 2017: HK$Nil). It was contributed by the acquisition of Hunan Project Company as disclosed above in this announcement. During the Period, the Group acquired 51% equity interest in Hunan Project Company and injected an amount of RMB200,000,000 in the company after the completion of such acquisition. Based on the valuation report issued by the valuer, the Group revised the values and classification of the identifiable assets and liabilities related to it and as presented in the statements and recognized a gain on bargain purchase accordingly.

Income tax expense for the period was approximately HK$36,040,000 as compared with the corresponding period of last year of approximately HK$12,658,000, representing a decrease in approximately 185% compare to the corresponding period of last year.

As a result of the above-mentioned factors, the Group recorded net profit of approximately HK$146,780,000 for the Period, as compared with the amount of approximately HK$207,356,000 for the six months ended 30 June 2017.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group had bank and cash balances of approximately HK$1,002,426,000 (31 December 2017: HK$327,249,000). Total borrowings of the Group amounted to approximately HK$3,372,261,000 as at 30 June 2018, of which equivalents of approximately HK$539,430,000 and approximately HK$2,832,831,000 were denominated in Hong Kong dollar and Renminbi respectively. Total borrowings included bank and other loans of approximately HK$2,868,267,000 and corporate bond of approximately HK$503,994,000. All loans bore fixed interest rates and exposed the Group to fair value interest rate risk.

As at 30 June 2018, the Group had a net current assets of approximately HK$1,959,092,000, as compared with amount of approximately HK$1,037,993,000 as at 31 December 2017. As at 30 June 2018, the gearing ratio of the Group was approximately 0.868 (31 December 2017: approximately 0.627), which was calculated on the basis of the total debt (summation of borrowings and corporate bonds) divided by total equity as at the respective reporting date.

CAPITAL EXPENDITURE

During the Period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK$Nil (six months ended 30 June 2017: HK$633,000) for proceeds of HK$Nil (six months ended 30 June 2017: HK$Nil), resulting in a gain on disposal of HK$Nil (six months ended 30 June 2017: gain of approximately HK$Nil). In addition, during the Period, the Group acquired property, plant and equipment of approximately HK$11,835,000 (six months ended 30 June 2017: HK$8,145,000, of which approximately HK$10,923,000 was acquired through acquisition of subsidiaries.

CHARGE OF ASSETS

As at 30 June 2018, the carrying amount of properties for sale under development, properties, plant and equipment and investment properties amounted to approximately HK$1,368,079,000 were pledged as security for bank loans in relation to the Group's real estate and property investment business. The carrying amount of properties for sale under development, properties, plant and equipment and investment properties amounted to approximately HK$923,367,000 were pledged for provision of guarantees to several associated parties.

As at 30 June 2018, carrying amount of certain equity investments at fair value through profit or loss amounted of approximately HK$58,804,000 were pledged for a margin loan facility granted to the Group.

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 amounting to approximately 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 were pledged as security for banking facilities granted to a subsidiary of the Group amounted to approximately HK$1,221,773,000.

EMPLOYEE AND REMUNERATION POLICIES

The Group had 382 full time staff as at 30 June 2018 (31 December 2017: 241) 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.

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 Period, 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

On 10 January 2018, the Company entered into a placing agreement and a subscription agreement in relation to the placing and the subscription of shares, and the Board also proposed the increase in authorised share capital. The placing was completed on 20 March 2018 in accordance with the placing agreement in which an aggregation of 1,634,502,485 Placing Shares had been successfully placed to not less than six placees at the Placing Price of HK$0.50 per placing share. The subscription was completed on 20 March 2018 in accordance with the subscription agreement in which an aggregate of 408,625,621 new shares had been allotted and issued by the Company to the subscriber at the subscription price of HK$0.50 per subscription share.

The net proceeds from the placing and the subscription after deducting the related expenses were approximately HK$1,017,415,000. The net proceeds were then applied for (i) the settlement of the outstanding consideration for the acquisition of Borui Group, (ii) the early repayment of the principal (HK$130 million) of 12% annual coupon unlisted corporate bonds (the "Corporate Bonds") together with the accrued interests of the Corporate Bonds, (iii) the early repayment of the principal (HK$75 million) of the pledged loan with China Goldjoy Credit Limited (the "Loan") together with the related outstanding accrued interests of the Loan, and (iv) financing the general working capital of the Group.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group had no material contingent liabilities (2017: Nil).

CAPITAL COMMITMENTS

As at 30 June 2018, the Group's capital commitment was approximately HK$2,582,971,000 (31 December 2017: approximately HK$3,201,149,000) in respect of the purchase of inventories.

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 Period.

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.

The Board and the management of the Company are of the opinion that the Company has properly operated in accordance with the Corporate Governance Code and Corporate Governance Report (the "CG Code") during the Period which sets out (a) code provisions (which are expected to comply with); and (b) recommended best practices (which are for guidance only) in Appendix 14 of the Listing Rules. The Company has applied and complied with the applicable code provisions and some of the recommended best practices except for one deviation of code provisions as stated in the subject headed "Compliance with CG Code" below.

Risk Management and Internal Control

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Board has delegated to the management the implementation of such systems of internal controls as well as the annual review of the relevant financial, operational and compliance controls and risk management procedures. The Board considers the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. Details of the Group's risk management system and procedures were set out in the Corporate Governance Report of the Annual Report for the year ended 31 December 2017 published on 16 April 2018 (the "Annual Report") under the subject headed "Risk Management and Internal Control".

Compliance with CG Code

The Board confirms that, the Company has complied with the code provisions set out in the CG Code during the Period save for the deviation mentioned below.

Mr. Zhang Xiaodong has been the chairman (the "Chairman") and chief executive officer (the "CEO") of the Company since 1 April 2016. This arrangement deviates from provision A.2.1 of the CG Code, which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The Board is of the opinion 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 considers that there is a sufficient balance and division of responsibilities and authority, hence it does not have a material adverse impact on the corporate governance of the Company.

The Board will carry out a regular review and propose any amendment, if necessary, to ensure compliance with the CG Code provisions as set out in the Listing Rules.

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

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control system of the Group, and to review the Company's annual report and interim report and to provide advice and comments thereon to the Board. The Audit Committee comprises of all the three independent non-executive Directors, currently Dr. Tang Lai Wah (Chairman), Mr. Chen Zetong and Ms. He Suying.

The Audit Committee has reviewed and approved the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2018.

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

Hong Kong, 24 August 2018

As at the date of this announcement, the Company's executive directors are Mr. Zhang Xiaodong and Ms. Xia Lingjie; the non-executive directors are Mr. Lau Wan Po and Mr. Wu Teng; 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.*