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NEW SPORTS GROUP LIMITED

新體育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 299)

INSIDE INFORMATION

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

The Board of the Company wishes to inform the Shareholders, the CB Holders and potential investors that based on the Board's preliminary review of the unaudited consolidated management accounts of the Group for the six months ended 30 June 2016 and other currently available information, subject to and excluding (i) the results of the Impairment Assessment which is still on-going as at the date of this announcement; and (ii) the Fair Value Adjustment, the Group is expected to record a net loss of approximately HK\$77,621,000 for the Reporting Period, as compared to the net loss of approximately HK\$42,444,000 for the corresponding period ended 30 June 2015.

In addition, in light of the poor performance of mobile and web-based gaming business in the first half of year 2016, the Company is in the course of carrying out the Impairment Assessment. The impairment provision, if made, may cause the Company to report a further loss for the Reporting Period but will not have adverse impact on the cash flow of the Group as the provision is a non-cash expense. The amount of impairment provision is in the process of being further verified, and the Company will make further announcement pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO once the amount of impairment provision is substantially settled.

Shareholders, CB holders and potential investors should exercise caution when dealing in the securities of the Company.

This announcement is made by New Sports Group Limited (the “**Company**”, together with its subsidiaries as the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the “**SFO**”).

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”), the holders of convertible bonds (the “**CB Holders**”) and potential investors that based on the Board’s preliminary review of the unaudited consolidated management accounts of the Group for the six months ended 30 June 2016 and other currently available information, subject to and excluding (i) the results of the impairment assessment for goodwill and other intangible assets which is still on-going (the “**Impairment Assessment**”) as at the date of this announcement; and (ii) the fair value gain / (loss) on contingent consideration (the “**Fair Value Adjustment**”), the Group is expected to record a net loss of approximately HK\$77,621,000 for the six months ended 30 June 2016 (the “**Reporting Period**”), as compared to the net loss of approximately HK\$42,444,000 for the corresponding period ended 30 June 2015.

The breakdown of the expected net loss for the Reporting Period (based on the preliminary review of the unaudited consolidated management accounts of the Group and other currently available information, subject to and excluding the results of the Impairment Assessment) and the net loss for the corresponding period ended 30 June 2015 are as follows:

	For the six months ended 30 June 2016 <i>HK\$</i>	For the six months ended 30 June 2015 <i>HK\$</i>
Loss for the period excluding the results of the Impairment Assessment	(58,121,000)	(200,435,000)
Less: Fair Value Adjustment	19,500,000	(157,991,000)
Loss for the period excluding the results of the Impairment Assessment and Fair Value Adjustment	<u>(77,621,000)</u>	<u>(42,444,000)</u>

Excluding the effect of the results of the Impairment Assessment and the Fair Value Adjustment, based on the preliminary review of the unaudited consolidated management accounts of the Group and other currently available information, the expected increase in the net loss of approximately 83% for the Reporting Period is mainly attributable to the following:

- (i) the expected drop of revenue of the Group from approximately HK\$284,313,000 to HK\$63,216,000 due to the downsizing of the outsourcing software development business and the poor performance of mobile and web-based gaming business; and
- (ii) the expected increase in administrative expenses of the Group from approximately HK\$33,356,000 to HK\$75,237,000.

In addition, in light of the poor performance of mobile and web-based gaming business in the first half of year 2016, the Company is in the course of carrying out the Impairment Assessment. The impairment provision, if made, may cause the Company to report a further loss for the Reporting Period but will not have adverse impact on the cash flow of the Group as the provision is a non-cash expense. The amount of impairment provision is in the process of being further verified, and the Company will make further announcement pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO once the amount of impairment provision is substantially settled.

As the Company is still in the process of finalizing the consolidated results of the Group for the Reporting Period, the information contained in this announcement is only based on preliminary review and assessment by the Board of the consolidated management accounts of the Group and other information currently available, which have not been reviewed or audited by the Company's auditors. Detailed financial information of the Group will be disclosed as and when the results of the Group for the Reporting Period are announced.

Shareholders, CB Holders and potential investors are advised to read carefully the announcement of the Company in related to the results of the Group for the six months ended 30 June 2016 which is expected to be released in August 2016.

Shareholders, CB holders and potential investors should exercise caution when dealing in the securities of the Company.

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

Hong Kong, 26 July 2016

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