



New Sports Group Limited 新體育集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 299)



2016 INTERIM REPORT

The background features a light blue color scheme with various sports-related silhouettes, including a basketball player, a runner, a cyclist, and a soccer player. There are also several blue triangles of different sizes scattered throughout the page, some overlapping the silhouettes. The overall aesthetic is modern and dynamic.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Zhang Xiaodong

(Chairman & Chief Executive Officer)

Lau Wan Po

Xia Lingjie

(re-designated on 17 August 2016)

Independent Non-Executive Directors

Chen Zetong (appointed on 30 May 2016)

Chui Man Lung, Everett

He Suying (appointed on 30 May 2016)

Tang Lai Wah (appointed on 30 May 2016)

Han Chu (resigned on 30 May 2016)

Wu Hong (resigned on 30 July 2016)

CHIEF FINANCIAL OFFICER

Wong Yu King

COMPANY SECRETARY

Foo Man Yee, Carina

SOLICITOR

Baker & McKenzie

AUDIT COMMITTEE

Chui Man Lung, Everett*

Chen Zetong (appointed on 30 May 2016)

He Suying (appointed on 30 May 2016)

Tang Lai Wah (appointed on 30 May 2016)

Han Chu (resigned on 30 May 2016)

Wu Hong (resigned on 30 July 2016)

NOMINATION COMMITTEE

He Suying* (appointed on 30 May 2016)

Chui Man Lung, Everett

Chen Zetong (appointed on 30 May 2016)

Tang Lai Wah (appointed on 30 May 2016)

Han Chu (resigned on 30 May 2016)

Wu Hong (resigned on 30 July 2016)

RISK MANAGEMENT COMMITTEE

Zhang Xiaodong* (appointed on 1 April 2016)

Lau Wan Po (appointed on 1 April 2016)

Xia Lingjie (appointed on 1 April 2016)

Zuo Jian Zhong (resigned on 1 April 2016)

Tang Yan Sing (resigned on 1 April 2016)

Zhang Zhige (resigned on 1 April 2016)

SALARY REVIEW COMMITTEE

He Suying* (appointed on 30 May 2016 and
re-designated as chairman on
30 July 2016)

Zhang Xiaodong

Chui Man Lung, Everett

Chen Zetong (appointed on 30 May 2016)

Tang Lai Wah (appointed on 30 May 2016)

Han Chu (resigned on 30 May 2016)

Wu Hong (resigned on 30 July 2016)

AUTHORISED REPRESENTATIVES

Zhang Xiaodong

Foo Man Yee, Carina

AUDITOR

RSM Hong Kong

Certified Public Accountants

* *Chairman*

CORPORATE INFORMATION

PRINCIPAL BANKERS

Bank of East Asia Limited
China Merchant Bank Co., Ltd.
Hong Kong and Shanghai Banking
Corporation

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2001, 20/F., Lippo Centre
Tower 2, No. 89 Queensway
Admiralty
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International
(Cayman) Limited
68 Fort Street, P. O. Box 705
George Town, Grand Cayman
Cayman Islands

WEBSITE

<http://www.newsportsgp.com>

REGISTERED OFFICE

Cricket Square Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

299

INDUSTRY AND MARKET OVERVIEW

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Sports Business

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

“Internet + Sports” Business

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Mobile and Web-based Gaming Business

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

OUTLOOK

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS AND OPERATIONS

The Group's consolidated turnover for the six months ended 30 June 2016 (the "Period") was approximately HK\$65,795,000 representing a decrease of approximately 77% when compared with HK\$284,313,000 for the same period of 2015. The decrease was mainly attributable to the operation of software development in Japan market which was ceased for the Period, which accounted for 89% of total turnover for the same period of 2015.

In addition, the turnover sourced from China increased by approximately 105% from approximately HK\$32,020,000 for the six months ended 30 June 2015 to approximately HK\$65,795,000 for the Period. Although the Group has a significant decrease in the service income derived from outsourcing software development in the PRC by approximately 97% from approximately HK\$3,623,000 for the six months ended 30 June 2015 to approximately HK\$119,000 for the Period, the turnover derived from online games service in the PRC increased by approximately 131% to approximately HK\$65,676,000 from approximately HK\$28,397,000 for the same period of 2015.

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group did not issue convertible bonds during the Period.

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

The gearing ratio (which is calculated by dividing total debts (including bank borrowings and convertible bonds) by total assets) was 0.219 (as at 31 December 2015: 0.175).

SHARE CAPITAL

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

PLEDGE OF ASSETS

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

SHARE OPTIONS

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

EMPLOYEE AND REMUNERATION POLICIES

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



MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE AND CURRENCY RISKS

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

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited) (restated)
Revenue	4	65,795	284,313
Cost of services		(44,377)	(263,723)
Gross profit		21,418	20,590
Selling expenses		(11,235)	–
Administrative expenses		(41,916)	(47,928)
Research and development expenses		(8,853)	(6,386)
Fair value gain/(loss) on contingent consideration	16	19,500	(157,991)
Impairment loss on goodwill	11	(90,389)	–
Impairment losses on other intangible assets	12	(86,066)	–
Other income, gains/(losses)		4,690	(4,347)
Loss from operations		(192,851)	(196,062)
Finance costs	5	(29,343)	(769)
Loss before tax		(222,194)	(196,831)
Income tax credit/(expense)	6	3	(3,604)
Loss for the period	7	(222,191)	(200,435)
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences arising on translating foreign operations		(25,126)	(499)
Exchange differences reclassified to profit or loss on deregistration of an associate		–	269
Other comprehensive income for the period, net of tax		(25,126)	(230)
Total comprehensive income for the period		(247,317)	(200,665)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
			(restated)
	Note		
Loss for the period attributable to:			
Owners of the Company		(186,277)	(199,119)
Non-controlling interests		(35,914)	(1,316)
		(222,191)	(200,435)
Total comprehensive income for the period attributable to:			
Owners of the Company		(210,570)	(199,603)
Non-controlling interests		(36,747)	(1,062)
		(247,317)	(200,665)
Loss per share			
— Basic	9	HK1.243 cents	HK1.513 cents
— Diluted	9	HK1.243 cents	HK1.513 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

		30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	4,622	6,947
Goodwill	11	608,167	712,622
Other intangible assets	12	100,223	165,197
Deposits paid for property, plant and equipment		20,695	19,919
Deposits paid for acquisition of subsidiaries		–	77,584
Other deposits		47,123	720
		780,830	982,989
Current assets			
Trade and other receivables	13	415,448	184,928
Amount due from a director	23	–	15,127
Current tax assets		1,252	1,001
Bank balances and cash		166,424	419,212
		583,124	620,268
Current liabilities			
Borrowings		21,061	21,485
Convertible bonds	14	277,919	258,576
Trade and other payables	15	84,053	91,066
Contingent consideration	16	–	169,500
Deferred revenue		3,739	5,478
Current tax liabilities		21,071	27,558
		407,843	573,663
Net current assets		175,281	46,605
Total assets less current liabilities		956,111	1,029,594

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2016

	Note	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Non-current liabilities			
Deferred revenue		638	1,181
Deferred tax liabilities	17	9,284	14,863
		9,922	16,044
NET ASSETS			
		946,189	1,013,550
Capital and reserves			
Share capital	18	38,408	36,533
Reserves		853,774	907,065
Equity attributable to owners of the Company		892,182	943,598
Non-controlling interests		54,007	69,952
TOTAL EQUITY			
		946,189	1,013,550

Approved by the Board of Directors on 29 August 2016 and are signed on its behalf by:

Zhang Xiaodong

Director

Lau Wan Po

Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company										Non-controlling interests	Total equity		
	Share capital	Share premium	Share redemption reserve	Capital reserve	Other reserve	General reserve	Convertible bonds reserve	Shareholder's contribution	Transition reserve	Share options reserve			Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
For the six months ended 30 June 2015														
At 1 January 2015 (audited)	32,896	242,689	2,269	10,657	5,078	28,639	-	4,118	110,421	6,419	194,178	637,364	6,100	643,464
Total comprehensive income for the period (unaudited)	-	-	-	-	-	-	-	-	(484)	-	(199,119)	(199,603)	(1,062)	(200,665)
Acquisition of subsidiaries (unaudited)	-	-	-	-	-	-	-	-	-	-	-	-	64,835	64,835
Equity component of convertible bonds (note 14) (unaudited)	-	-	-	-	-	-	26,450	-	-	-	-	26,450	-	26,450
Share based payments (note 19) (unaudited)	-	-	-	-	-	-	-	-	-	11,642	-	11,642	-	11,642
Transfer of share option reserve upon lapse of share options (note 19) (unaudited)	-	-	-	-	-	-	-	-	-	(121)	121	-	-	-
Exercise of share options (unaudited)	166	12,866	-	-	-	-	-	-	-	(3,912)	-	9,110	-	9,110
Charges in equity for the period (unaudited)	166	12,866	-	-	-	-	26,450	-	(484)	7,609	(198,998)	(152,401)	63,773	(88,628)
At 30 June 2015 (unaudited)	33,062	255,545	2,269	10,657	5,078	28,639	26,450	4,118	109,937	14,028	(4,820)	484,963	69,873	554,836

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company										Non-controlling interests	Total equity		
	Share capital	Share premium	Share redemption reserve	Capital reserve	Other reserve	General reserve	Convertible bonds reserve	Shareholders' contribution	Translation reserve	Share options reserve			Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
For the six months ended 30 June 2016														
At 1 January 2016 (audited)	36,533	572,660	2,269	10,657	5,078	27,827	42,482	4,118	65,860	58,931	117,183	943,598	69,952	1,013,550
Total comprehensive income for the period (unaudited)	-	-	-	-	-	-	-	-	(24,293)	-	(186,277)	(210,570)	(36,747)	(247,317)
Contribution by a non-controlling shareholder of a subsidiary (unaudited)	-	-	-	-	-	-	-	-	-	-	-	-	37,441	37,441
Dividend paid to a non-controlling shareholder (unaudited)	-	-	-	-	-	-	-	-	-	-	-	-	(16,639)	(16,639)
Share based payments (Note 19) (unaudited)	-	-	-	-	-	-	-	-	-	9,154	-	9,154	-	9,154
Transfer of share options reserve upon lapse of share options (Note 19) (unaudited)	-	-	-	-	-	-	-	-	-	(48,230)	48,230	-	-	-
Issue of shares on acquisition of a subsidiary (Note 18) (unaudited)	1,875	148,125	-	-	-	-	-	-	-	-	-	150,000	-	150,000
Changes in equity for the period (unaudited)	1,875	148,125	-	-	-	-	-	-	(24,293)	(39,076)	(138,047)	(51,416)	(15,945)	(67,361)
At 30 June 2016 (unaudited)	38,408	720,785	2,269	10,657	5,078	27,827	42,482	4,118	41,567	19,855	(20,864)	892,182	54,007	946,189

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited) (restated)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		7,737	(27,795)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of short term investments		–	(64,001)
Proceeds from disposal of short term investments		–	165,634
Interest received from short term investments		–	280
Loan repayment from the vendor of a subsidiary		–	18,980
Decrease in term deposit		–	1,495
Acquisition of subsidiaries		–	21
Disposal of subsidiaries	20	(12)	–
(Deposits)/refund of deposit paid for acquisition of subsidiaries	13	(217,550)	50,000
Purchases of property, plant and equipment		(240)	(1,517)
Deposits paid for acquisition of property, plant and equipment		(1,170)	–
Proceeds from disposal of property, plant and equipment		660	2
Purchases of other intangible assets		(26,124)	–
Proceeds from deregistration of an associate		–	2,582
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		(244,436)	173,476

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
			(restated)
	Note		
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(9,500)	–
Proceeds from issue of convertible bonds	14	–	194,800
Proceeds from issue of shares under share option scheme		–	9,110
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		(9,500)	203,910
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(246,199)	349,591
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		419,212	176,642
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(6,589)	(145)
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY		166,424	526,088
Bank balances and cash		166,424	526,088

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

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

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

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

Other intangible assets

(i) Football players

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

(ii) Licenses

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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

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

3. FAIR VALUE MEASUREMENTS

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

4. SEGMENT INFORMATION

The Group has four operating segments as follows:

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

Six months ended 30 June 2016 (unaudited)

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

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

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

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

4. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

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

At 30 June 2016 (unaudited)

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

4. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (continued)

At 31 December 2015 (audited)

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

4. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (continued)

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

- all assets are allocated to operating segments other than unallocated bank balances and cash, goodwill, deposits paid for property, plant and equipment, deposits paid for acquisition of subsidiaries, deferred tax assets and assets used jointly by operating segments.
- bank balances and cash are allocated to operating segments based on the location of the bank balances and cash.
- all liabilities are allocated to operating segments other than deferred tax liabilities, contingent consideration, liability component of convertible bonds and liabilities for which operating segments are jointly liable.
- liabilities payable to the government department such as tax bureau and social security department are allocated to operating segments based on the location of the tax bureau and social security department.

5. FINANCE COSTS

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Interest on convertible bonds (Note 14)	28,843	769
Interest on bank borrowings	500	–
	29,343	769

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

6. INCOME TAX (CREDIT)/EXPENSE

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

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Current tax:		
PRC Enterprise Income Tax	4,330	5
Japan income tax	–	4,759
	4,330	4,764
Under/(over)-provision in prior years:		
PRC Enterprise Income Tax	1,034	(1,378)
	5,364	3,386
Deferred tax (Note 17):		
Current period	(5,367)	218
	(3)	3,604

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

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

6. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

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

7. LOSS FOR THE PERIOD

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

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

8. DIVIDENDS

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

9. LOSS PER SHARE

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

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

The 2015 comparative figure was restated with the effect of share subdivision as presented in Note 18(a) to the condensed consolidated financial statements.

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

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately HK\$633,000 (unaudited) (six months ended 30 June 2015: HK\$43,000 (unaudited)) for proceeds of approximately HK\$660,000 (unaudited) (six months ended 30 June 2015: HK\$2,000 (unaudited)), resulting in a gain on disposal of approximately HK\$27,000 (unaudited) (six months ended 30 June 2015: loss of approximately HK\$41,000 (unaudited)). In addition, during the six months ended 30 June 2016, the Group acquired property, plant and equipment of approximately HK\$240,000 (unaudited) (six months ended 30 June 2015: HK\$2,062,000 (unaudited)), of which Nil (six months ended 30 June 2015: HK\$545,000 (unaudited)) was acquired through acquisition of subsidiaries.

11. GOODWILL

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

For the six months ended 30 June 2016

11. GOODWILL (CONTINUED)

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

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

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

11. GOODWILL (CONTINUED)

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

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

12. OTHER INTANGIBLE ASSETS

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

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

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

13. TRADE AND OTHER RECEIVABLES

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

Note (a):

On 17 November 2015, the Company entered into a non-legally binding memorandum of understanding ("MOU") in relation to a potential acquisition of the entire equity interest in Wuxi Xinyou Network Technology Co. Ltd ("Wuxi Xinyou") for a consideration of RMB910,000,000 (equivalent to approximately HK\$1,086,176,000). The consideration is intended to be satisfied by the Company through a combination of cash payment of RMB382,200,000 and the issue of the Company's share for the remaining RMB527,800,000. Wuxi Xinyou is principally engaged in the development and operations of internet and mobile interactive playing card competition gaming products through its own platform and an exclusive playing card gaming platform owned by "Baidu". As at 31 December 2015, RMB65,000,000 (equivalent to approximately HK\$77,584,000) has been paid to the vendor of Wuxi Xinyou as deposits in relation to the potential acquisition.

During the current period, additional deposits of HK\$200,000,000 and RMB15,000,000 (equivalent to approximately HK\$17,700,000) have been paid to the vendor of Wuxi Xinyou. The management of the Company subsequently had decided to cancel the potential acquisition and was in the progress to require the vendor of Wuxi Xinyou for a refund of the deposits paid. As at 30 June 2016, the total amount of the deposits paid was approximately HK\$293,603,000.

Details of the deposits paid for the potential acquisition of Wuxi Xinyou are set out in announcement of the Company dated 29 August 2016.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

14. CONVERTIBLE BONDS

- (a) On 22 June 2015 (the "Issue Date 1"), the Group issued convertible bonds with a nominal value of HK\$200,000,000 (the "Convertible Bonds 1"). The bonds are convertible at the option of the bondholders into fully paid ordinary shares with HK\$0.0025 each of the Company (the "Conversion Shares 1") at an initial conversion price of HK\$0.25 per share after share subdivision (Note 18(a)) at any time during the period commencing from 2 October 2015 up to and including the 7th day immediately preceding 21 June 2017 (the "Maturity Date 1"). Based on the initial conversion price of HK\$0.25 per Conversion Shares 1, a maximum number of 800,000,000 Conversion Shares 1 after share subdivision (Note 18(a)) will be allotted and issued upon the exercise of the conversion rights.

The bonds bear interest at the following interest rate on the principal amount of the bonds:

- (i) in respect of the one-year period commencing from and including the Issue Date 1 to and including the last day of such period (the "Interest Payment Date"), 5% per annum;
- (ii) in respect of the one-year period commencing from and including the next calendar day of the Interest Payment Date to and including the Maturity Date 1, 15% per annum.

Convertible Bonds 1 shall not be redeemed (in whole or in part) at the option of the Company commencing from the date of issue of the Convertible Bonds 1 up to and including the day immediately before the Maturity Date 1. On and before the 5th business day after the Interest Payment Date, the bondholders may notify and require the Company to, and the Company then shall, no later than the close of business in Hong Kong on the 15th business day after such notification, redeem Convertible Bonds 1 in whole or in part at a price equivalent to 100% of the principal amount of the Convertible Bonds 1 so redeemed together with the interest accrued but unpaid.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

14. CONVERTIBLE BONDS (CONTINUED)

- (b) On 12 November 2015 (the "Issue Date 2"), the Group issued convertible bonds with a nominal value of HK\$100,000,000 (the "Convertible Bonds 2"). The bonds are convertible at the option of the bondholders into fully paid ordinary shares with HK\$0.0025 each of the Company (the "Conversion Shares 2") at an initial conversion price of HK\$0.25 per share at any time during the period commencing from the Issue Date 2 up to and including the 10th day immediately preceding 11 November 2016 (the "Maturity Date 2") subject to the following limits:
- (i) in the first three months commencing from the Issue Date 2, the bondholder is only entitled at any time during such period to convert up to 50% of the principal amount of the bonds;
 - (ii) in the remaining period commencing from the date on which the period referred to in note (i) expires, the bondholder is entitled at any time during such period to convert any principal amount of the bonds.

Based on the initial conversion price of HK\$0.25 per Conversion Share 2, a maximum number of 400,000,000 Conversion Shares 2 will be allotted and issued upon the exercise of the conversion rights.

The bonds shall bear interest from and including the Issue Date 2 to and including the Maturity Date 2 on the outstanding amount of the bonds at the interest rate of 5% per annum.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

14. CONVERTIBLE BONDS (CONTINUED)

The net proceeds received from the issue of the convertible bonds have been split between the liability elements and equity components as follows:

	Convertible Bonds 1 <i>HK\$'000</i>	Convertible Bonds 2 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Nominal value of convertible bonds issued	200,000	100,000	300,000
Transaction cost related to liability component	(4,494)	(2,488)	(6,982)
Equity component	(27,156)	(17,897)	(45,053)
Liability component at the date of issue	168,350	79,615	247,965
Interest charged	16,576	3,014	19,590
Conversion during the year	(8,979)	–	(8,979)
Liability component at 31 December 2015 and 1 January 2016	175,947	82,629	258,576
Interest charged	16,616	12,227	28,843
Interest paid	(9,500)	–	(9,500)
Liability component at 30 June 2016	183,063	94,856	277,919
Equity component at the date of issue	27,156	17,897	45,053
Transaction cost related to equity component	(706)	(542)	(1,248)
Equity component at the date of issue	26,450	17,355	43,805
Conversion during the year	(1,323)	–	(1,323)
Equity component at 31 December 2015, 1 January 2016 and 30 June 2016	25,127	17,355	42,482

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

14. CONVERTIBLE BONDS (CONTINUED)

The interest charged for the period/year is calculated by applying an effective interest rate of 18.15% per annum and 27.76% per annum to the liability component of the Convertible Bonds 1 and the Convertible Bonds 2 respectively for the 24-month and 12-month periods since the bonds were issued.

The directors estimate the fair values of the liability components of the Convertible Bonds 1 and the Convertible Bonds 2 at 30 June 2016 to be approximately HK\$169,462,000 and HK\$95,370,000 respectively. This fair values have been calculated by discounting the future cash flows at effective interest rate of 29.74% per annum and 29.73% per annum respectively (level 2 fair value measurements).

15. TRADE AND OTHER PAYABLES

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

15. TRADE AND OTHER PAYABLES (CONTINUED)

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

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

16. CONTINGENT CONSIDERATION

- (a) On 30 January 2015, the Group acquired the entire issued share capital of Heroic Coronet for a consideration of HK\$260,000,000, of which HK\$200,000,000 was settled in cash and HK\$60,000,000 will be settled by the Company's shares (the "Consideration Shares"). Heroic Coronet, through Kaixin Jiu hao, is principally engaged in the design, development and operation of the mobile and web games.

Pursuant to the sale and purchase agreement, the vendor of Heroic Coronet undertakes to that the aggregate of the audited consolidated net profit of Kaixin Jiu hao for the year ended 31 December 2015 (the "2015 Net Profit") shall not be less than RMB60,000,000 (equivalent to HK\$76,086,000). In the event that the 2015 Net Profit is less than RMB60,000,000, the number of Consideration Shares will be reduced by the product of 750,000,000 shares after share subdivision and the difference between RMB60,000,000 and the 2015 Net Profit divided by RMB60,000,000. In the event that the 2015 Net Profit is equal to or more than RMB60,000,000, the number of Consideration Shares will not be subject to adjustment.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

16. CONTINGENT CONSIDERATION (CONTINUED)

(a) (continued)

At 30 December 2015 and 30 June 2015, the contingent consideration was stated at fair value based on the valuation performed by Greater China Appraisal Limited, an independent firm of professional valuers. The valuer conducted the valuation based on the Company's share price and a management accounts obtained from the Company.

The 2015 Net Profit exceeds RMB60,000,000 and pursuant to an ordinary resolution passed at an extraordinary general meeting held on 31 March 2016, 750,000,000 new shares were issued and allocated to the vendor of Heroic Coronet on 31 March 2016.

(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) Technology Co., Ltd., is principally engaged in distributing, selling, developing and investing in internet and mobile interaction entertainment products.

Pursuant to the sale and purchase agreement, the vendor undertakes to that the aggregate of the audited consolidated net profit of Kingworld Holdings and its subsidiaries (collectively referred to as "Kingworld Group") for the year ending 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 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.

At 30 June 2016, the Adjustment Amount recognised was Nil (31 December 2015: Nil) as the director expected the profit target to be met based on the profit forecast of Kingworld Group for the 2016 Net Profit. The Adjustment Amount was stated at fair value based on the valuation performed by Greater China Appraisal Limited, an independent firm of professional valuers. The valuer conducted the valuation based on a profit forecast obtained from the Company.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

16. CONTINGENT CONSIDERATION (CONTINUED)

(b) (continued)

The Adjustment Amount represents the right to the return of previously transferred consideration for the acquisitions of Kingworld Holdings with reference to the financial performance of Kingworld Group for the year ending 31 December 2016 and hence constitute a contingent consideration arrangement.

17. DEFERRED TAX

The following are the deferred tax liabilities/(assets) recognised and movements thereon during the current period and prior year:

	Deferred tax liabilities				Deferred tax assets
	Prepaid expenses <i>HK\$'000</i>	Distributable profits of the PRC subsidiaries <i>HK\$'000</i>	Other intangible assets <i>HK\$'000</i>	Total <i>HK\$'000</i>	Accrued expenses
					<i>HK\$'000</i>
At 1 January 2015 (audited)	780	–	–	780	(2,215)
Acquisition of subsidiaries (audited)	–	–	15,295	15,295	–
(Credit)/charge to profit or loss for the year (audited)	(640)	–	–	(640)	2,186
Disposal of subsidiaries (audited)	(125)	–	–	(125)	–
Exchange differences (audited)	(15)	–	(432)	(447)	29
At 31 December 2015 (audited)	–	–	14,863	14,863	–
Charge/(credit) to profit or loss for the period (unaudited)	–	3,090	(8,457)	(5,367)	–
Exchange differences (unaudited)	–	(48)	(164)	(212)	–
At 30 June 2016 (unaudited)	–	3,042	6,242	9,284	–

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

18. SHARE CAPITAL

	Note	At 30 June 2016		At 31 December 2015	
		Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Authorised:					
Ordinary shares of HK\$0.0025 each at 1 January		40,000,000	100,000	4,000,000	100,000
Share subdivision	(a)	-	-	36,000,000	-
At 30 June 2016/31 December 2015 (audited)		40,000,000	100,000	40,000,000	100,000
Issued and fully paid:					
At 1 January 2016 (audited) and 2015 (audited)		14,613,151	36,533	1,315,835	32,896
Shares issued under share option scheme	(b)	-	-	9,480	237
Share subdivision	(a)	-	-	11,927,836	-
Shares issued on conversion of convertible bonds	(c)	-	-	40,000	100
Shares issued on placements	(d)	-	-	670,000	1,675
Shares issued on acquisition of a subsidiary	(e)	750,000	1,875	650,000	1,625
At 30 June 2016/31 December 2015 (audited)		15,363,151	38,408	14,613,151	36,533

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

18. SHARE CAPITAL (CONTINUED)

- (a) Pursuant to an ordinary resolution passed on 15 September 2015, each ordinary share of HK\$0.025 each in the issued and unissued share capital of the Company were subdivided into ten ordinary shares of HK\$0.0025 each in the issued and unissued share capital of the Company with effective on 16 September 2015.
- (b) During the year ended 31 December 2015, 9,480,000 ordinary shares of HK\$0.025 each were issued before share subdivision in relation to share options exercised under the 2004 share option scheme of the Company at the exercise price of HK\$1.3875 and HK\$1.36 respectively for a total cash consideration of HK\$13,010,000. The exercise of the subscription consideration received over the nominal values issued, which amounted to HK\$12,773,000, was credited to the share premium account.
- (c) On 30 October 2015, the Company issued a total of 40,000,000 conversion shares to bondholder at the conversion price of HK\$0.25 per conversion share after the share subdivision.
- (d) On 11 November 2015, the Company entered into a placing agreement in respect of the placement of 670,000,000 ordinary shares of HK\$0.0025 each to an independent investor at a price of HK\$0.236 per share. The placement was completed on 19 November 2015 and the premium on the issue of shares, amounting to approximately HK\$155,654,000, net of share issue expenses of HK\$791,000, was credited to the Company's share premium account. The Company issued and allotted 670,000,000 new shares on 19 November 2015.
- (e) On 31 December 2015, completion of the acquisition of Kingworld Holdings took place and pursuant to the sale and purchase agreement, the Company issued 650,000,000 Consideration Shares of HK\$0.0025 each to the vendor of Kingworld Holdings as a settlement of the consideration for the acquisition of Kingworld Holdings. The fair value of 650,000,000 new shares was HK\$146,900,000 based on the bid price (HK\$0.226 per consideration share) at 31 December 2015.

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

19. SHARE-BASED PAYMENTS

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants include the employees, executives, officers and directors of the Company and the Company’s subsidiaries. The Scheme became effective on 2 April 2004 and was expired on 1 April 2014.

The Company terminated the Scheme and adopted a new share option scheme (the “New Scheme”) pursuant to a resolution passed in the annual general meeting dated 26 March 2014 which became effective on the same date. The New Scheme will remain in force for ten years commencing from the effective date. Any options granted under the Scheme prior to its termination continue to be valid and exercisable in accordance with the rules of the Scheme.

The maximum number of unexercised share options currently permitted to be granted under the New Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the New Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 20 days from the date of the offer, upon payment of a nominal consideration of HK\$10 in total or other amount as determined by the board of the Company by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

19. SHARE-BASED PAYMENTS (CONTINUED)

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer, when applicable.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

At 30 June 2016, the number of shares in respect of which options had been granted and remained outstanding under the New Scheme was 211,000,000 (31 December 2015: 622,000,000), representing 1.37% (31 December 2015: 4.45%) of the shares of the Company in issue at that date. The options outstanding at the end of the period have a weighted average remaining contractual life of 8.91 years (31 December 2015: 9.41 years) and the exercise price is HK\$0.314 after share subdivision (31 December 2015: HK\$0.314).

Details of specific category of options are as follows:

Date of grant	Exercisable period	Exercise price before share subdivision	Exercise price after share subdivision
24/01/2006	24/01/2007–23/01/2016	HK\$1.3875	HK\$0.13875
28/01/2008	28/01/2008–27/01/2018	HK\$1.36	HK\$0.136
28/01/2008	28/01/2009–27/01/2018	HK\$1.36	HK\$0.136
27/05/2015	30/10/2015–26/05/2025	HK\$3.14	HK\$0.314
27/05/2015	30/04/2016–26/05/2025	HK\$3.14	HK\$0.314

The exercise prices were adjusted for share subdivision became effective on 16 September 2015.

Options are lapsed if the employee leaves the Group and the relationship with consultants is ceased or terminated by the Group.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

19. SHARE-BASED PAYMENTS (CONTINUED)

The following table discloses movements of the number of the Company's shares under options held by employees and consultants during the six months ended 30 June 2016:

Date of grant	Outstanding at 1/1/2016 (audited)	Granted during the period (unaudited)	Exercised during the period (unaudited)	Lapsed during the period (unaudited)	Outstanding at 30/6/2016 (unaudited)
27/05/2015	622,000,000	-	-	(411,000,000)	211,000,000

The following table discloses movements of the number of the Company's shares under options, which is not adjusted for the share subdivision with effective on 16 September 2015, held by employees during the six months ended 30 June 2015:

Date of grant	Outstanding at 1/1/2015 (audited)	Granted during the period (unaudited)	Exercised during the period (unaudited)	Lapsed during the period (unaudited)	Outstanding at 30/6/2015 (unaudited)
24/01/2006	3,160,000	-	(1,724,000)	-	1,436,000
28/01/2008	6,920,000	-	(4,940,000)	(200,000)	1,780,000
27/05/2015	-	62,200,000	-	-	62,200,000
	10,080,000	62,200,000	(6,664,000)	(200,000)	65,416,000

The weighted average share price at the date of exercise for share options exercised during the six months ended 30 June 2015 was HK\$3.66.

At 30 June 2016, 211,000,000 (31 December 2015: 622,000,000) share options are exercisable. The closing price of the Company's shares immediately before 27 May 2015, the date of grant of options, was HK\$3.25.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

19. SHARE-BASED PAYMENTS (CONTINUED)

The estimated fair value of the options granted on 27 May 2015 is HK\$72,348,000. The fair value was calculated using Binomial Tree method. The inputs into the model are follows:

	27 May 2015
Weighted average share price	HK\$3.14
Weighted average exercise price	HK\$3.14
Expected volatility	49.86%
Expected life	10 years
Risk free rate	2.0794%
Expected dividend yield	Nil

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 10 years. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

Share options granted to consultants were incentives for helping the Group expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

20. DISPOSAL OF SUBSIDIARIES

On 31 March 2016, the Group disposed of its entire equity interests in New Sports Technology Holdings Limited ("Technology Holdings") for a consideration of approximately HK\$11,600.

Net liabilities at the date of disposal were as follows:

	<i>HK\$'000</i>
Prepayments and deposits	950
Bank balances and cash	12
Amounts due to the Company	(17,361)
Net liabilities disposed of:	(16,399)
Waiver of receivable from Technology Holdings	16,411
Total consideration	12
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	12

21. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Contracted but not provided for property, plant and equipment	–	1,000

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

22. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments in respect of rented premises which fall due as follows:

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Within one year	3,806	5,139
In the second to fifth year inclusive	2,743	3,595
	6,549	8,734

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated and rentals are fixed for lease terms from one to three years.

23. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had the following transactions with its related parties during the period:

	Six months ended 30 June 2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue — subcontracting income from a related company (Note a)	—	2,149

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

23. RELATED PARTY TRANSACTIONS (CONTINUED)

Outstanding balances at the end of the reporting period

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Amount due from a director (Note b)	–	15,127

Notes:

- (a) The amount represents the subcontracting income receivable from a related company controlled by a director of the Company.
- (b) The amount represents the liabilities of Kaixin Jiu hao undertaken by the director at the acquisition date and subsequent cash advances to the director. Final dividend in respect of the year ended 31 December 2015 for Kaixin Jiu hao of RMB40,000,000 (equivalent to approximately HK\$47,760,000) has been approved by the board of directors of Kaixin Jiu hao. The dividend has been offset with the amount due from the director as at 31 December 2015.

Compensation of key management personnel

The remuneration of directors of the Company and other members of key management during the period was as follows:

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Salaries and other benefits	3,421	11,303
Share-based payments	6,094	5,425
Retirement benefits scheme contributions	30	467
	9,545	17,195



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

24. EVENT AFTER THE REPORTING PERIOD

On 15 August 2016, a subsidiary of the Company entered into a non-legally binding memorandum of understanding with an independent third party in relation to a potential disposal of the entire equity interest in Key Rich for a consideration of HK\$60,000,000.

25. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with the current period presentation.

26. APPROVAL OF FINANCIAL STATEMENTS

This condensed financial statements were approved and authorised for issue by the Board of Directors on 29 August 2016.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY (THE "SHARES"), UNDERLYING SHARES AND DEBENTURES

As at 30 June 2016, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(a) Interests and short positions in Shares and underlying Shares in the Company

Name of Director	Capacity in which interests are held	Number of shares/underlying shares held in the Company			Approximate percentage of issued share capital of the Company ⁴	Notes
		Interests in shares	Equity derivatives (Share Options)	Total interests		
Zhang Xiaodong	Corporate Interest	2,750,000,000(L)	–	2,763,500,000(L)	17.98%	1, 2
	Beneficial Owner	13,500,000(L)	–			
Lau Wan Po	Spouse Interest	15,000,000(L)	–	15,000,000(L)	0.09%	3
Chui Man Lung, Everett	Beneficial Owner	–	11,000,000(L)	11,000,000(L)	0.07%	
*Wu Hong	Beneficial Owner	9,200,000(L)	11,000,000(L)	20,200,000(L)	0.13%	

* Mr. Wu Hong resigned as directors on 30 July 2016.

OTHER INFORMATION

Notes:

1. Amuse Peace Limited ("Amuse Peace") held 2,750,000,000 Shares. Amuse Peace is a company wholly and beneficially owned by Mr. Zhang Xiaodong, the Chairman, Chief Executive Officer and an Executive Director of the Company. Mr. Zhang Xiaodong is deemed to be interested in the 2,750,000,000 Shares owned by Amuse Peace for the purpose of SFO.
2. On 16 June 2016, the loan agreement was entered among Amuse Peace as Borrower, KB Credit Limited (宏基信貸有限公司) ("KB Credit") as lender and Mr. Zhang Xiaodong as the guarantor in provision of a loan with the principal amount of HK\$300 million (the "Loan Agreement"). The loan was secured by the share charge over 2,750,000,000 shares of the Company (the "Secured Shares") provided by Amuse Peace. Mr. Zhang Xiaodong as the guarantor had also provided a personal guarantee in favour of KB Credit for the timely performance of all of the obligations of the borrower under the Loan Agreement. Please refer to the announcement of China Goldjoy Group Limited (Stock code: 1282) published on 16 June 2016 for the details of the Loan.
3. 15,000,000 Shares are beneficially owned by Ms. Lui Wing Shan, the spouse of Mr. Lau Wan Po. Accordingly, Mr. Lau is deemed to be interested in all the Shares in which Ms. Lui Wing Shan is interested by virtues of SFO.
4. As at 30 June 2016, the total issued share capital of the Company amounted to 15,363,151,280 shares.

Abbreviations:

"L" stands for long position

(b) Interests in shares of associated corporation of the Company

Name of associated corporation	Name of Director	Capacity/ Nature of interest	No. of ordinary shares	Percentage of registered capital as at 30.6.2016	Note
Beijing Kaixin Jiu hao Technology Company Limited ("Kaixin Jiu hao")	Liu Wei	Beneficial Owner	RMB770,000, being 35% of the registered capital	35%	1

Note 1: Kaixin Jiu hao is a company established in the PRC with limited liability. The registered capital of Kaixin Jiu hao is RMB2,200,000, which is held as to 35% by Mr. Liu Wei and as to 65% by All Rise Technology Limited.

OTHER INFORMATION

Save as disclosed above, as at 30 June 2016, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, so far as is known to the Directors of the Company, the following, not being a Director or the Chief Executive of the Company, have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of the SFO:

Long positions in the Shares and Underlying Shares

Name	Capacity	Number of Ordinary Shares	Approximate percentage of total interests in issued capital as at 30.06.2016 ⁶	Notes
Zhang Xiaodong	Beneficial Owner/ Corporate Interest	13,500,000 (L) 2,750,000,000 (L)	17.98%	2, 3
Amuse Peace Limited	Beneficial Owner	2,750,000,000 (L)	17.90%	2, 3
KB Credit Limited	Security Interest in Shares	2,750,000,000 (L)	17.90%	3, 4
Yao Jianhui	Security Interest in Shares	2,750,000,000 (L)	17.90%	3, 4
Tinmark Development Limited	Security Interest in Shares	2,750,000,000 (L)	17.90%	3, 4
China Goldjoy Group Limited	Security Interest in Shares	2,750,000,000 (L)	17.90%	3, 4
Great Sphere Developments Limited	Security Interest in Shares	2,750,000,000 (L)	17.90%	3, 4
China Foresea Finance Group Limited	Security Interest in Shares	2,750,000,000 (L)	17.90%	3, 4
Stellar Result Limited	Security Interest in Shares	2,750,000,000 (L)	17.90%	3, 4
China Yinsheng Securities Limited	Custodian	2,750,000,000 (L)	17.90%	5

OTHER INFORMATION

Notes:

1. Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file disclosure of interests forms (the "DI Forms") when certain criteria are fulfilled and the full details of the requirements are available on the Stock Exchange's official website. When a shareholder's shareholdings in the Company changes, it is not necessary to notify the Company and the Stock Exchange unless certain criteria are fulfilled. Therefore, substantial shareholders' latest shareholdings in the Company may be different to the shareholdings filed with the Company and the Stock Exchange. The above statements of substantial shareholders' interests are prepared based on the information in the relevant DI Forms received by the Company. The Company may not have sufficient information on the breakdown of the relevant interests and cannot verify the accuracy of information on the DI Forms. Therefore, some substantial shareholders' interests in Shares or short positions may not have breakdown in their relevant interests.
2. Amuse Peace held 2,750,000,000 shares. Amuse Peace is a company wholly and beneficially owned by Mr. Zhang Xiaodong, a director of the Company. By virtue of the SFO, Mr. Zhang is deemed to be interested in the Shares in which Amuse Peace are interested in.
3. On 16 June 2016, the loan agreement was entered among Amuse Peace, KB Credit and Mr. Zhang Xiaodong in provision of a loan with the principal amount of HK\$300 million secured by Secured Shares. Please refer to note 2 under the section of "Directors and the Chief Executive's interest" of this report for details.
4. KB Credit is a company wholly owned by Stellar Result Limited ("Stellar Result"). Stellar Result which in turn wholly owned by China Foresea Finance Group Limited ("China Foresea"). China Foresea is a beneficially owned as to 70% by Great Sphere Developments Limited ("Great Sphere"). Great Sphere is a company wholly owned by China Goldjoy Group Limited ("China Goldjoy"), a company listed in Hong Kong (stock code: 1282). Tinmark Development Limited ("Tinmark") is one of the substantial shareholder of China Goldjoy holding 49.99% interests in China Goldjoy. Mr. Yao Jianhui holds 100% interests of Tinmark. By virtue of SFO, KB Credit, Stellar Result, China Foresea, Great Sphere, China Goldjoy, Tinmark and Mr. Yao are deemed to have security interests in the 2,750,000,000 Shares.
5. China Yinsheng Securities Limited is deemed to interested in 2,750,000,000 Shares as the custodian of Amuse Peace.
6. As at 30 June 2016, the total issued share capital of the Company amounted to 15,363,151,280 shares.

Abbreviation:

"L" stands for long position

OTHER INFORMATION

Save as disclosed above, as at 30 June 2016, the Directors and the chief executive of the Company were not aware of any person who has an interest or short position in the Shares, or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was recorded in the register kept by the Company under section 336 of the SFO.

SHARE OPTION 2014 Share Option Scheme

On 26 March 2014, a new share option scheme (the “2014 Option Scheme”) was adopted by the Company. The purpose of the 2014 Option Scheme was (i) to attract and retain the best quality personnel for the development of the Company’s businesses; (ii) to provide additional incentives to employees, consultants, agents, representatives, advisers, suppliers of goods or services, customers, contractors, business allies and joint venture partners; and (iii) to promote the long term financial success of the Company by aligning the interests of optionholders to shareholders of the Company. The 2014 Option Scheme is valid and effective for a period of ten years from the date of adoption.

The total number of Shares which may be issued upon exercise of all options to be granted under the 2014 Option Scheme of the Company amount to 1,115,835,120 Shares (after share subdivision), representing (1) 10% of the issued share capital of the Company as at the date on which the 2014 Option Scheme was adopted; (2) 7.63% the issued share capital of the Company as at 31 December 2015; and (3) 7.26% of the issued share capital of the Company as at 30 June 2016, without prior approval from the Company’s Shareholders. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant in any 12-month period up to and including the date of grant of options shall not exceed 1% of the shares in issue. The exercise price will be determined by the Directors, which shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheets on the date of grant of options; (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant of option; or (iii) the nominal value of a share.



OTHER INFORMATION

Options may generally be exercised in whole or part at any time during the period as determined by the Directors and notified to the grantee (in any event such period must not be more than 10 years from the date of grant of the options) subject to any restrictions as may be imposed on the exercise of an option during the period in which an option may be exercised.

Subject to all applicable laws, rules and regulations or any internal guidelines or code of corporate governance from time to time in force, the Board has the power, as its discretion and based on such factors and circumstances as it considers relevant and appropriate, to:

- (i) determine the minimum holding period, if any, for which an option must be held before it vests; and
- (ii) the consideration payable upon acceptance of an option and the period within which payments or calls must or may be made or loans for such purposes must or may be repaid.

As at the date of this report, a total of 622,000,000 share options after share subdivision had been granted by the Company under the 2014 Option Scheme. In which, 411,000,000 share options has been lapsed during the Period and the number of outstanding share options as at 30 June 2016 is 211,000,000.

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The following table sets out the movements in the Company's share options under the 2014 Option Scheme during the Period:

Directors	Exercise period of share options	Exercise price of share options after share subdivision (Note 2)	Number of outstanding share options as at 1.1.2016	Granted during the period under review	Exercise during the period under review	Cancelled during the period under review	Lapsed during the period under review (Note 4)	Number of outstanding share options as at 30.6.2016	Market Value per Share Immediately preceding the grant date of share options after share subdivision (Note 3)
Share Options granted on 27 May 2015									
Zuo Jian Zhong	30/10/2015-26/05/2025	HK\$0.314	50,000,000	-	-	-	(50,000,000)	-	HK\$0.325
Tang Yau Sing	30/10/2015-26/05/2025	HK\$0.314	50,000,000	-	-	-	(50,000,000)	-	HK\$0.325
Zhang Zhige	30/10/2015-26/05/2025	HK\$0.314	50,000,000	-	-	-	(50,000,000)	-	HK\$0.325
Liu Wei	30/10/2015-26/05/2025	HK\$0.314	50,000,000	-	-	-	(50,000,000)	-	HK\$0.325
Chui Man Lung, Everett	30/10/2015-26/05/2025	HK\$0.314	11,000,000	-	-	-	-	11,000,000	HK\$0.325
Han Chu	30/10/2015-26/05/2025	HK\$0.314	11,000,000	-	-	-	(11,000,000)	-	HK\$0.325
Wu Hong	30/10/2015-26/05/2025	HK\$0.314	11,000,000	-	-	-	-	11,000,000	HK\$0.325
Sub-Total			233,000,000	-	-	-	(211,000,000)	22,000,000	-
Contributors	30/10/2015-26/05/2025	HK\$0.314	389,000,000	-	-	-	(200,000,000)	189,000,000	HK\$0.325
Total			622,000,000	-	-	-	(411,000,000)	211,000,000	-

Notes:

- The vesting period of the 2014 Option Scheme is that first 50% of the share options shall be exercisable by the Grantee during the period from 30 October 2015 to 26 May 2025 (both days inclusive) and the remaining 50% of the share options shall be exercisable by the Grantee during the period from 30 April 2016 to 26 May 2025 (both days inclusive).
- The exercise price was adjusted for share subdivision and became effective on 16 September 2015 (the original exercise price is HK\$3.14).
- The market price was adjusted for share subdivision (the original market price is HK\$3.25).
- The share options were held by grantees who ceased to be the employees of the Group during the period.

Save as disclosed above, during the Period, no options under the 2014 Option Scheme were exercised, cancelled or lapsed.

OTHER INFORMATION

VALUATION OF SHARE OPTIONS GRANTED DURING THE PERIOD

The estimated fair value of the options granted on 27 May 2015 is HK\$72,348,000. The fair value was calculated using the Binomial Tree model. The inputs into the model are as follows:

	27 May 2015
Weighted average share price	HK\$3.14
Weighted average exercise price	HK\$3.14
Expected volatility	49.86%
Expected life	10 years
Risk free rate	2.0794%
Expected dividend yield	Nil

INTERIM DIVIDEND

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

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.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

All the Directors have confirmed that they have complied with the required standards set out in the Model Code and the Code of Conduct throughout the six months ended 30 June 2016.

OTHER INFORMATION

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

(a) 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.

(b) Deficiencies of Internal Control

In the course of preparing the interim results for the six months ended 30 June 2016, the Board became aware of deposits payment by the Group in connection with the potential acquisition of the entire interests in Wuxi Xinyou Network Technology Co., Ltd. (無錫新遊網絡科技有限公司) (the "Potential Acquisition") under the Memorandum of Understanding dated on 17 November 2015. Such payment of deposits for the Potential Acquisition was handled and authorized by the former executive director(s) of the Company. Details of the payment of the aforesaid deposits were disclosed in the announcement of the Company dated 29 August 2016.

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

OTHER INFORMATION

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

CHANGE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B OF THE LISTING RULES

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

1. Mr. Han Chu resigned as an independent non-executive Director of the Company with effect from 30 May 2016. Mr. Han ceased to be the chairman of Nomination Committee and a member of Audit Committee and Salary Review Committee of the Company with effect from 30 May 2016.
2. Mr. Wu Hong resigned as an independent non-executive Director of the Company with effect from 30 July 2016. Mr. Wu ceased to be the chairman of Salary Review Committee and a member of Audit Committee and Nomination Committee of the Company with effect from 30 July 2016.
3. Ms. Xia Lingjie was appointed as a non-executive Director of the Company on 1 April 2016 and was re-designated as an executive Director of the Company on 17 August 2016. Ms. Xia was appointed as a member of Risk Management Committee of the Company with effect from 1 April 2016.
4. Mr. Chen Zetong was appointed as an independent non-executive Director of the Company with effect from 30 May 2016. Mr. Chen was appointed as a member of Audit Committee, Nomination Committee and Salary Review Committee of the Company with effect from 30 May 2016.
5. Ms. He Suying was appointed as an independent non-executive Director of the Company with effect from 30 May 2016. Ms. He was appointed as the chairman of Nomination Committee, a member of Audit Committee and Salary Review Committee of the Company with effect from 30 May 2016 and was redesignated as the chairman of Salary Review Committee with effect from 30 July 2016.



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6. Dr. Tang Lai Wah was appointed as an independent non-executive Director of the Company with effect from 30 May 2016. Dr. Tang was appointed as a member of Audit Committee, Nomination Committee and Salary Review Committee with effect from 30 May 2016.
7. Mr. Chui Man Lung, Everett (“Mr. Chui”) retired as an independent non-executive director of Mingyuan Medicare Development Company Limited (“Mingyuan”) (a company listed on the Main Board of Stock Exchange (Stock Code: 233)) on 20 May 2016. Mr. Chui ceased to be the chairman of the audit committee of Mingyuan on 20 May 2016.
8. Mr. Chui was appointed as an independent non-executive director and a member of the audit committee of Up Energy Development Group Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 307)) on 30 June 2016.

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

During the period under review, neither of the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.



OTHER INFORMATION

AUDIT COMMITTEE

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

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

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

Hong Kong, 29 August 2016