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 FINAL RESULTS ANNOUNCEMENT

The directors (the "Directors") of New Sports Group Limited (the "Company") are pleased to announce the consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 (the "Year") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	**2016** ***HK$'000***	2015 *HK$'000*
Continuing operations			
Revenue	*3*	**155,207**	502,980
Cost of services		**(109,068)**	(429,669)
Gross profit		**46,139**	73,311
Distribution costs		**(3,839)**	–
Administrative expenses		**(78,124)**	(132,209)
Research and development expenses		**(36,121)**	(13,577)
Fair value gain/(loss) on contingent consideration payable		**2,557**	(51,750)
Fair value gain on contingent consideration receivable		**45,841**	–
Fair value gain on put option		**118**	–
Impairment on goodwill	*12*	**(560,709)**	–
Impairment on other intangible assets	*13*	**(108,659)**	–
Other income, gains/(losses)	*5*	**(15,925)**	92,722

	Note	2016 HK$'000	2015 HK$'000
Loss from operations		**(708,722)**	(31,503)
Finance costs	6	**(60,931)**	(19,590)
Loss before tax		**(769,653)**	(51,093)
Income tax expense	7	**(2,950)**	(15,228)
Loss for the year from continuing operations	8	**(772,603)**	(66,321)
Discontinued operation			
Loss for the year from discontinued operation	9	**(147,568)**	–
Loss for the year		**(920,171)**	(66,321)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences arising on translating foreign operations		**(82,021)**	(45,124)
Exchange differences reclassified to profit or loss on disposal of subsidiaries		**–**	(3,873)
Exchange differences reclassified to profit or loss on deregistration of an associate		**–**	269
Other comprehensive income for the year, net of tax		**(82,021)**	(48,728)
Total comprehensive income for the year		**(1,002,192)**	(115,049)
Loss for the year attributable to:			
Owners of the Company		**(861,582)**	(76,401)
Non-controlling interests		**(58,589)**	10,080
		(920,171)	(66,321)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(942,743)**	(120,962)
Non-controlling interests		**(59,449)**	5,913
		(1,002,192)	(115,049)
Loss per share			
From continuing and discontinued operations — Basic	11	**HK5.628 cents**	HK0.575 cents
From continuing operations — Basic		**HK4.664 cents**	HK0.575 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**49,534**	6,947
Goodwill	*12*	**249,914**	712,622
Other intangible assets	*13*	**872,317**	165,197
Deposits paid for property, plant and equipment		**19,773**	19,919
Deposits paid for investment properties	*14*	**216,144**	–
Deposits paid for acquisitions of subsidiaries		**–**	77,584
Other deposits		**40,291**	720
Derivative financial assets		**6,448**	–
Deferred tax assets		**24,244**	–
		1,478,665	982,989
Current assets			
Trade and other receivables	*15*	**399,370**	184,928
Amount due from a director		**–**	15,127
Current tax assets		**937**	1,001
Derivative financial assets		**45,841**	–
Bank and cash balances		**473,499**	419,212
		919,647	620,268
Current liabilities			
Borrowings		**127,851**	21,485
Convertible bonds	*16*	**200,596**	258,576
Trade and other payables	*17*	**154,830**	91,066
Contingent consideration payable	*18*	**–**	169,500
Deferred revenue		**4,160**	5,478
Current tax liabilities		**24,897**	27,558
		512,334	573,663
Net current assets		**407,313**	46,605
Total assets less current liabilities		**1,885,978**	1,029,594

	Note	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Consideration payable		**91,010**	–
Contingent consideration payable	*18*	**255,199**	–
Deferred revenue		**213**	1,181
Deferred tax liabilities		**102,544**	14,863
		448,966	16,044
NET ASSETS		**1,437,012**	1,013,550
Capital and reserves			
Share capital		**85,130**	36,533
Reserves		**1,320,577**	907,065
Equity attributable to owners of the Company		**1,405,707**	943,598
Non-controlling interests		**31,305**	69,952
TOTAL EQUITY		**1,437,012**	1,013,550

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business in Hong Kong is Unit 2001, 20/F., Lippo Centre, Tower 2, No. 89 Queensway, Admiralty, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are engaged in provision of outsourcing software development, provision of online game services and platform services, operation of a yacht club, provision of international education services and operation of a football club.

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

(a) Application of new and revised HKFRSs

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for annual periods beginning on or after 1 January 2016. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2016. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7 Statement of Cash Flows: Disclosure initiative	1 January 2017
Amendments to HKAS 12 Income Taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to HKFRS 2 Share-based Payment: Classification and measurement of share-based payment transactions	1 January 2018
Amendments to HKFRS 4: Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 16 Leases	1 January 2019
Amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course.

HKFRS 9 Financial Instruments

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in HKAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in HKAS 39 are carried forward largely unchanged.

HKFRS 9 substantially overhauls the hedge accounting requirements in HKAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The new expected credit loss impairment model in HKFRS 9 may result in the earlier recognition of impairment losses on the Group's trade receivables and other financial assets. The Group is unable to quantity the impact until a more detailed assessment is completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer

2. Identify the performance obligations in the contract

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations in the contract

5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

The Group is currently assessing the impacts of adopting HKFRS 15 on the consolidated financial statement.

The Group is unable to estimate the impact of the new standard on the consolidated financial statements until a more detailed analysis is completed.

HKFRS 16 Leases

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

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

The Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to HK$19,540,000 as at 31 December 2016. The Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from the future operating leases commitments after taking into account the transition reliefs available in HKFRS 16 and the effects of discounting.

3. REVENUE

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

	2016	2015
	HK$'000	*HK$'000*
Outsourcing software development services	**9,386**	396,996
Technical support services	**–**	4,712
Advertising income	**95,499**	–
Online game operation	**27,405**	82,448
Licensing fee income	**1,520**	4,053
Game development income	**20,820**	14,771
Publication of magazines	**395**	–
Tuition fees	**92**	–
Yacht parking fees	**90**	–
	155,207	502,980

4. SEGMENT INFORMATION

The Group has six operating segments as follows:

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

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

Segment revenue and results

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

Year ended 31 December 2016

	Discontinued	Continuing						
	P2P financial intermediary services in the PRC	Software development in the PRC	Software development in Japan	Provision of online game services in the PRC	Football club in the PRC	Yacht club in the PRC	Education in the PRC	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	1	671	–	154,354	–	90	92	155,208
Cost of services	(5)	(143)	–	(85,606)	(22,830)	(269)	(220)	(109,073)
Gross (loss)/profit	(4)	528	–	68,748	(22,830)	(179)	(128)	46,135
Distribution costs	(37)	–	–	(3,838)	–	–	(1)	(3,876)
Administrative expenses	(5,223)	(5,427)	–	(22,912)	(468)	(44)	(58)	(34,132)
Research and development expenses	–	–	–	(36,121)	–	–	–	(36,121)
Bad debts written off	–	(1,936)	–	(35,382)	–	–	–	(37,318)
Impairment on other intangible assets	–	–	–	(86,066)	(22,593)	–	–	(108,659)
Segment results	(5,264)	(6,835)	–	(115,571)	(45,891)	(223)	(187)	(173,971)
Fair value gain on contingent consideration payable								2,557
Fair value gain on contingent consideration receivable								45,841
Fair value gain on put option								118
Impairment on goodwill								(702,396)
Other income, gains/(losses)								20,776
Finance costs								(60,931)
Unallocated corporate expenses								(49,215)
Loss before tax								(917,221)

Year ended 31 December 2015

	Discontinued	Continuing			
	P2P financial intermediary services in the PRC *HK$'000*	Software development in the PRC *HK$'000*	Software development in Japan *HK$'000*	Provision of online game services in the PRC *HK$'000*	Total *HK$'000*
Revenue	–	7,294	394,414	101,272	502,980
Cost of services	–	(8,581)	(365,760)	(55,328)	(429,669)
Gross (loss)/profit	–	(1,287)	28,654	45,944	73,311
Administrative expenses	–	–	(48,574)	(5,225)	(53,799)
Research and development expenses	–	–	–	(13,577)	(13,577)
Bad debts written off	–	(6,538)	–	–	(6,538)
Segment results	–	(7,825)	(19,920)	27,142	(603)
Fair value loss on contingent consideration payable					(51,750)
Other income, gains/(losses)					99,260
Finance costs					(19,590)
Unallocated corporate expenses					(78,410)
Loss before tax					(51,093)

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

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

Segment assets and liabilities

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

At 31 December 2016

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

At 31 December 2015

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

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

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

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

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

Other segment information

Year ended 31 December 2016

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

Year ended 31 December 2015

	Discontinued	Continuing			
	P2P financial intermediary services in the PRC *HK$'000*	Software development in the PRC *HK$'000*	Software development in Japan *HK$'000*	Provision of online game services in the PRC *HK$'000*	Total *HK$'000*
Additions to non-current assets *(Note)*	–	16,339	19	96	16,454
Depreciation and amortisation	–	6,663	136	53,179	59,978
Loss on disposal of property, plant and equipment	–	1,053	–	–	1,053
Bad debts written off	–	6,538	–	–	6,538

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

Geographical information

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

Information about major customers

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

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Software development		
Customer A	**–**	262,357
Provision of online game services		
Customer B	**4,910**	52,024
Customer C	**24,663**	–

5. OTHER INCOME, GAINS/(LOSSES)

Continuing operations	**2016**	2015
	HK$'000	*HK$'000*
Interest income from short term investments	**5**	349
Interest income from bank balances	**160**	608
Rental income	**25**	–
Government subsidies	**1,290**	8,348
Net foreign exchange gain	**18,753**	14,802
Loss on deregistration of an associate	**–**	(418)
Gain on disposal of subsidiaries	**–**	76,400
Bad debts written off	**(37,318)**	(6,538)
Others	**1,160**	(829)
	(15,925)	92,722

6. FINANCE COSTS

Continuing operations	**2016**	2015
	HK$'000	*HK$'000*
Interest on bank borrowings	**1,055**	–
Interest on corporate bonds	**3,000**	–
Interest on other borrowings	**260**	–
Interest on convertible bonds *(Note 16)*	**56,520**	19,590
Imputed interest on consideration payable	**96**	–
	60,931	19,590

7. INCOME TAX EXPENSE

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

	2016	2015
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax	**8,444**	7,679
Japan income tax	**–**	7,394
	8,444	15,073
Under/(over)-provision in prior years:		
PRC Enterprise Income Tax	**1,100**	(1,391)
Deferred tax		
Current year	**(6,594)**	1,546
	2,950	15,228

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, Wuxi SinoCom High Technology Software Co., Ltd. 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 2014 and was therefore entitled to a 50% relief from PRC enterprise income tax for the financial year ended 31 December 2016. However, no provision was made for the financial year ended 31 December 2016 as the subsidiary incurred tax loss in the year.

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

Pursuant to relevant laws and regulations in the PRC, a subsidiary in the PRC, Kingworld (Beijing) Technology Co., Ltd. ("Kingworld Beijing"), is recognised as a High and New Technology Enterprise by the relevant PRC government authorities and Kingworld Beijing was therefore entitled to enjoy a concessionary Enterprise Income Tax rate of 15% for the year ended 31 December 2016.

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

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profits in Hong Kong for both years.

Taxation arising in Japan for the year end 31 December 2015 comprises corporate tax, special corporate tax for reconstruction, local corporate tax, corporate enterprise tax, special local corporate tax and corporate inhabitant tax. Corporate tax was calculated at a fixed tax rate of 25.5% on taxable income. Local corporate tax is calculated at a fixed rate of 4.4% of corporate tax starting from 1 October 2014 to 31 October 2015. Corporate enterprise tax is calculated at a progressive statutory rate of 3.65% on the portion of taxable income not exceeding JPY4,000,000 (equivalent to approximately HK$256,000), 5.465% on the portion of taxable income in excess of JPY4,000,000 but not exceeding JPY8,000,000 and 7.18% on the portion of taxable income in excess of JPY8,000,000.

Special local corporate tax is calculated at a fixed tax rate of 43.2% or 67.4% of corporate enterprise tax, depending on the amount of paid-in capital. Corporate inhabitant tax is calculated at a fixed tax rate of 12.9% or 16.3% of the corporate tax, depending on the amount of the corporate tax per annum, also with a fixed yearly amount from JPY70,000 (equivalent to approximately HK$4,000) to JPY200,000 (equivalent to approximately HK$13,000), depending on the headcount and capital of the entities.

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

	2016	2015
	HK$'000	*HK$'000*
Loss before tax (from continuing operations)	**(769,653)**	(51,093)
Taxation at the applicable PRC Enterprise Income Tax rate of 25% (2015: 25%)	**(192,413)**	(12,773)
Tax effect of income not taxable in determining taxable profit	**(78,374)**	(16,668)
Tax effect of expenses not deductible in determining taxable profit	**259,360**	58,373
Tax effect of temporary differences not recognised	**–**	(564)
Effect of tax exemption and concessions granted to PRC subsidiaries	**(8,012)**	(9,898)
Tax effect of utilisation of tax losses not previously recognised	**4,685**	–
Tax effect of tax losses not recognised	**13,514**	7,584
Underprovision/(overprovision) in prior years	**1,100**	(1,391)
PRC dividend withholding tax	**3,090**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**–**	(9,435)
Income tax expense relating to continuing operations	**2,950**	15,228

8. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

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

	2016	2015
	HK$'000	*HK$'000*
Amortisation of other intangible assets (included in cost of sale)	**60,991**	52,928
Acquisition-related costs (included in administrative expenses)	**6,067**	959
Auditors' remuneration	**3,100**	3,100
Bad debts written off	**37,318**	6,538
Fair value (gain)/loss on contingent consideration payable	**(2,557)**	51,750
Fair value gain on contingent consideration receivable	**(45,841)**	–
Fair value gain on put option	**(118)**	–
Depreciation of property, plant and equipment	**3,651**	7,050
(Gain)/loss on disposal of property, plant and equipment	**(26)**	1,053
Loss on deregistration of an associate	**–**	418
Operating lease charges in respect of office premises	**5,830**	22,486
Research and development expenses	**36,121**	13,577
Share-based payments to consultants	**3,060**	31,548
Impairment on goodwill	**560,709**	–
Impairment on other intangible assets	**108,659**	–

9. DISCONTINUED OPERATION

On 1 March 2017, the Company entered into a sale and purchase agreement to dispose of the entire share capital of Key Rich Corporation Limited ("Key Rich"), which carried out the Group's P2P internet financial intermediary business.

	2016
	HK$'000
(a) Loss for the year from discontinued operation:	
Revenue	**1**
Cost of services	**(5)**
Distribution costs	**(37)**
Administrative expenses	**(5,223)**
Impairment on goodwill	**(141,687)**
Other income, gains/(losses)	**(617)**
Loss before tax	**(147,568)**
Income tax expense	**–**
Loss for the year from discontinued operation (attributable to owners of the Company)	**(147,568)**
(b) Loss for the year from discontinued operation include the following:	
Depreciation	**173**
Auditor's remuneration	**–**
(c) Cash flows from discontinued operation:	
Net cash outflows from operating activities	**386**

10. DIVIDENDS

The directors of the Company did not recommend payment of any final dividend for the year ended 31 December 2016 (2015: Nil).

11. LOSS PER SHARE

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

	2016	2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**15,309,428**	13,291,363

(a) From continuing and discontinued operations

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

	2016	2015
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of calculating basic loss per share	**861,582**	76,401

(b) From continuing operations

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

	2016	2015
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of calculating basic loss per share	**714,014**	76,401

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2015 and 2016.

(c) From discontinued operation

Basic loss per share from the discontinued operation is HK0.964 cents per share (2015: N/A) based on the loss for the year from discontinued operation attributable to the owners of the Company of approximately HK$147,568,000 (2015: N/A) and the denominators used are the same as those detailed above for basic loss per share.

12. GOODWILL

	HK$'000
Cost	
At 1 January 2015	7,308
Arising on acquisition of subsidiaries	723,478
Derecognition of goodwill	(7,308)
Exchange differences	(10,856)
At 31 December 2015 and 1 January 2016	712,622
Arising on acquisition of subsidiaries	284,553
Exchange differences	(44,865)
At 31 December 2016	952,310
Accumulated impairment	
At 1 January 2015, 31 December 2015 and 1 January 2016	–
Impairment loss recognised in current year	702,396
At 31 December 2016	702,396
Carrying amount	
At 31 December 2016	249,914
At 31 December 2015	712,622

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

	2016	2015
	HK$'000	*HK$'000*
Provision of online game services		
Kingworld Holdings Limited ("Kingworld Holdings")	**73,546**	372,782
Heroic Coronet Limited ("Heroic Coronet")	**–**	186,423
P2P financial intermediary services		
Key Rich	**2,000**	153,417
Operation of a yacht club		
Shenzhen Dapeng Yacht Club Company Limited ("Dapeng Yacht Club")	**66,287**	–
Provision of international education services		
Shenzhen Dapeng International Education Company Limited ("Dapeng International Education")	**108,081**	–
	249,914	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 Kingworld Holdings and Heroic Coronet, derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3%. This rate does not exceed the average long-term growth rate for the relevant markets.

The Group prepares cash flow forecasts of Dapeng Yacht Club and Dapeng International Education derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 0.5% and 5.1% respectively. This rate does not exceed the average long-term growth rate for the relevant markets.

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

Heroic Coronet:	24% (2015: 24%)
Kingworld Holdings:	29% (2015: 34%)
Dapeng Yacht Club:	17% (2015: N/A)
Dapeng International Education:	18% (2015: N/A)

At 31 December 2016, before impairment testing, goodwill of HK$349,139,000 was allocated to Kingworld Holdings within the online game services segment. Due to the slow growth in number of users for sport apps since launch of the sports apps during the year, the Group has revised its cash flow forecasts for this CGU. The CGU has been reduced to its recoverable of HK$105,137,000 and an impairment loss of HK$275,593,000 recognised on goodwill within the online game services segment.

At 31 December 2016, before impairment testing, goodwill of HK$174,600,000 was allocated to Heroic Coronet within the online game services segment. Due to the keen competition and shorter than expected game life cycles which caused a slow-down in number of users for online games, the Group has revised its cash flow forecasts for this CGU. The CGU has been reduced to its recoverable of HK$Nil and an impairment loss of HK$174,600,000 recognised on goodwill and HK$86,066,000 recognised on other intangible assets within the online game services segment.

At 31 December 2016, before impairment testing, goodwill of HK$143,687,000 was allocated to Key Rich within the P2P financing intermediary services segment. Key Rich was still under start-up stage. During the year, due to the change of regulatory policies and consolidation of the industry, uncertainty of business arose. The directors of the Company was of the view that the carrying amount of goodwill allocated to Key Rich could not be able to recovered by its future economic benefits. On 1 March 2017, a subsidiary of the Company entered into a sale and purchase agreement with an independent third party to dispose of the entire share capital of Key Rich for a cash consideration of HK$2,000,000. Accordingly, the CGU has been reduced to its recoverable of HK$2,000,000 and an impairment loss of HK$141,687,000 recognised on goodwill within the P2P financing intermediary services segment.

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

13. OTHER INTANGIBLE ASSETS

	Exclusive rights for operation of sport apps *HK$'000*	Non-competition right *HK$'000*	Copyrights *HK$'000*	Operating Right *HK$'000*	Licenses *HK$'000*	Football players' registrations *HK$'000*	Total *HK$'000*
Cost							
Arising on acquisition of subsidiaries	27,838	14,955	182,921	–	–	–	225,714
Exchange differences	–	–	(9,687)	–	–	–	(9,687)
At 31 December 2015	27,838	14,955	173,234	–	–	–	216,027
Arising on acquisition of subsidiaries	–	–	–	819,081	–	–	819,081
Additions	–	–	–	–	25,654	37,441	63,095
Exchange differences	(1,766)	(948)	(10,987)	954	(1,081)	(1,669)	(15,497)
At 31 December 2016	26,072	14,007	162,247	820,035	24,573	35,772	1,082,706
Accumulated amortisation and impairment losses							
Amortisation for the year	–	–	52,928	–	–	–	52,928
Exchange differences	–	–	(2,098)	–	–	–	(2,098)
At 31 December 2015	–	–	50,830	–	–	–	50,830
Amortisation for the year	10,421	2,925	29,849	364	3,673	13,759	60,991
Impairment loss	–	–	86,066	–	–	22,593	108,659
Exchange differences	(440)	(123)	(8,793)	–	(155)	(580)	(10,091)
At 31 December 2016	9,981	2,802	157,952	364	3,518	35,772	210,389
Carrying amount							
At 31 December 2016	16,091	11,205	4,295	819,671	21,055	–	872,317
At 31 December 2015	27,838	14,955	122,404	–	–	–	165,197

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

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

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

The Group carried out reviews of the respective recoverable amount of its exclusive rights for operation of sport apps, non-competition right and copyrights within online game operations segement in 2016, having regard to the keen competition and shorter than expected game life cycles and the slow growth in number of users for sports apps since launch of the sports apps during the year. 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 HK$31,591,000 for exclusive rights for operation of sport apps, non-competition right and copyrights within online game operations has been determined on the basis of their value in use using discounted cash flow method. The discount rate of exclusive rights for operation of sport apps, non-competition right and copyrights used was 29% (2015: 34%), 29% (2015: 34%) and ranged from 24% (2015: 24%) to 29% (2015: 34%) respectively.

The Group carried out reviews of the recoverable amount of its football players' registrations within operation of a football club segment in 2016, having regard to the termination of all football players' contracts. The review led to the recognition of an impairment loss of HK$22,593,000 for football players' registrations that have been recognised in profit or loss. The recoverable amount of HK$Nil has been determined in respect of the termination of all football players' contracts.

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

The Group prepares cash flow forecasts of Dapeng Yacht Club and Dapeng International Education within operation of a yacht club and provision of international education segement respectively derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 0.5% and 5.1% respectively. This rate does not exceed the average long-term growth rate for the relevant markets.

14. DEPOSITS PAID FOR INVESTMENT PROPERTIES

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

15. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**34,027**	123,427
Other receivables	**10,282**	8,930
Deposits paid for a potential acquisition of subsidiary	**268,252**	–
Other deposits	**2,492**	31,602
Prepayments	**84,317**	20,969
Total trade and other receivables	**399,370**	184,928

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

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

	2016	2015
	HK$'000	*HK$'000*
0–30 days	**12,021**	43,028
31–60 days	**11,799**	23,140
61–90 days	**2,350**	14,500
91–180 days	**3,120**	23,754
181–360 days	**2,887**	7,644
Over 360 days	**1,850**	11,361
	34,027	123,427

As of 31 December 2016, trade receivables of HK$5,860,000 (2015: HK$41,464,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2016	2015
	HK$'000	*HK$'000*
0–30 days	**–**	–
31–60 days	**–**	1,194
61–90 days	**–**	–
91–180 days	**1,123**	21,265
181–360 days	**2,887**	7,644
Over 360 days	**1,850**	11,361
	5,860	41,464

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

	2016	2015
	HK$'000	*HK$'000*
RMB	**34,027**	120,115
JPY	**–**	3,312
	34,027	123,427

16. 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 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 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.

(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.

The Convertible Bonds 2 were redeemed in full by the Group on 11 November 2016.

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 *HK$'000*	**Convertible Bonds 2** *HK$'000*	**Total** *HK$'000*
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
Converted 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	34,149	22,371	56,520
Interest paid	(9,500)	(5,000)	(14,500)
Redeemed during the year	–	(100,000)	(100,000)
Liability component at 31 December 2016	200,596	–	200,596
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
Converted during the year	(1,323)	–	(1,323)
Equity component at 31 December 2015 and 1 January 2016	25,127	17,355	42,482
Redeemed during the year	–	(17,355)	(17,355)
Equity component at 31 December 2016	25,127	–	25,127

The interest charged for the year is calculated by applying an effective interest rate of 18.15% and 27.76% 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 at 31 December 2016 to be approximately HK$199,719,000 (2015: HK$156,830,000). This fair values have been calculated by discounting the future cash flows at effective interest rate of 21% (2015: 30%) (level 2 fair value measurements).

17. TRADE AND OTHER PAYABLES

	2016 *HK$'000*	2015 *HK$'000*
Trade payables	**2,695**	2,760
Wages and salaries payables	**67,879**	62,501
Accruals	**8,197**	7,021
Other tax payables	**1,564**	2,398
Other payables	**74,495**	16,386
	154,830	91,066

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

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

	2016 *HK$'000*	2015 *HK$'000*
0–30 days	**–**	2,496
31–60 days	**87**	25
61–90 days	**–**	239
91–180 days	**–**	–
181–360 days	**2,608**	–
	2,695	2,760

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

	2016 *HK$'000*	2015 *HK$'000*
RMB	**145,970**	84,063

18. CONTINGENT CONSIDERATION PAYABLES

The carrying amounts of the Group's contingent consideration payable related to the acquisition of Heroic Coronet and Yue Jin Asia Limited ("Yue Jin Asia") are as follows:

	Note	2016 *HK$'000*	2015 *HK$'000*
Acquisition of Heroic Coronet	*(a)*	**–**	169,500
Acquisition of Yue Jin Asia	*(b)*	**255,199**	–
		255,199	169,500

(a) As a part of the consideration for the acquisition of Heroic Coronet and its subsidiaries, the Company was required to issue 750,000,000 new shares after share subdivision (the "Contingent Consideration") if the 2015 Net Profit of Kaixin Jiuhao equals to or exceeds RMB60,000,000. Contingent Consideration were classified as liabilities and recognised at its fair value on the acquisition date and the date of reporting.

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 at bid price of HK$0.2 were issued and allotted to the vendor of Heroic Coronet on 31 March 2016.

(b) As a part of the consideration for the acquisition of Yue Jin Asia, the retained shares consideration shall be adjusted based on the respective 2018 net profit of Dapeng Yacht Club and Dapeng International Education and hence constitute a contingent consideration arrangement.

The contingent consideration payable in relation to the retained shares 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 a profit forecast obtained from the Company and the Company's share price (level 3 fair value measurements).

INDUSTRY AND MARKET OVERVIEW

Over the past few years, China's sports industry has experienced a sustained and rapid growth. As at the end of 2015, China's sports industry reached a total output of RMB1.7 trillion and an added value of RMB549.4 billion, accounting for 0.8% of the gross domestic product (GDP) for the same period. In the meantime, the industrial system has become increasingly sound, with industry sectors such as competition and performance, leisure sports, sports venues services, and sports training, etc. all showing rapid development.

However, the rapid growth of the industry has also brought corresponding problems. According to iResearch data, the structure of China's sports industry still lacked a balanced development up to 2016. As an extension of the traditional manufacturing industry in the sports industry, manufacturing of sports goods and related products accounted for a small proportion of the total industrial output of developed economies, only constituting a key sector of secondary importance in the sports industry. In China, however, manufacturing of sports goods and related products accounted for the highest proportion of the total industrial output and the added value, reaching 65.7% and 50.2% respectively, far exceeding the proportion of sports service sector and sports events sector with higher economic and social added values. This shows that the structure of China's sports industry has yet to catch up with the world's advanced level.

After identifying the above problems, China's sports industry has taken measures to tackle the issue in terms of both the market and the policies. On the one hand, most of the market players, regardless of their type, in the industry, transformed from the simple pursuit of scale to striking a balance between scale and quality as they came to their senses after experiencing reckless growth. On the other hand, related industry policies also changed from macro control to more refined requirements, laying more emphases on the supply side adjustments within the industry. In July 2016, the General Administration of Sport of China officially released the "13th Five-Year Plan for Sports Industry Development", stipulating that the sports industry of China should maintain the outstanding performance during the period of the "12th Five-Year Plan" and take advantage of the good momentum by attaching importance to the development of key service sectors such as sports competition and performance, sports venues services, sports training, sporting goods and sports lottery and leveraging the supply side reform to adjust the structure of the industry, improve quality and strike a good balance in the relationship between sports undertakings and sports industry, as well as between sports services and sports products, with a view to ultimately achieving the dual targets of growth in scale and structural upgrade of the industry.

The Group believes that aligning to changes in the market and timely adjusting its business strategies constitute the core of sustainable corporate development. The current structural upgrade of China's sports market has facilitated the screening of market players through natural selection and survival of the fittest and created a large number of business opportunities in segment markets. Therefore, the Group will leverage these opportunities to take proactive measures and take the initiative to explore the organic combination between industry policies and such business opportunities. With a focus on industry sectors such as sports venues operation, sports training, sports event management, sports tourism and sports property development, he Group will launch differentiated products of premium quality in the market to take the lead and secure a prime position in the changing market.

BUSINESS REVIEW

P2P Financial Intermediary Services

Due to the extremely uncertain development prospects of the industry and the failure to achieve synergy between this segment and other businesses, the Group completed the disposal of Key Rich Corporation Limited and its subsidiaries which are related to the Group's businesses in March 2017. The divestiture of these companies signifies the Group's official exit from the industry related to peer-to-peer (P2P) financing lending platform services (the "P2P Business").

The P2P industry has experienced a boom over the past five years. The number of P2P companies in China reached the peak level of around 2,500 in the fourth quarter of 2016, and has since started to drop without newly opened companies. Behind the industry fever is lack of sufficient regulation and disorderly development, and due to over-supply, most P2P platforms do not have access to quality assets and could only maintain their operation through client hunting at high cost. These inferior assets directly led to the high default rate and consequently the bankruptcy of many small and medium P2P operators and the overall decline of the P2P industry.

The Group believes that continuing to operate P2P related business is very likely to expose the Group's future operations to high risks of uncertainty. To begin with, the P2P Business has virtually no synergy with the other businesses to be developed by the Group, and will affect the Group's focus on the sports industry and lead to high management costs. Secondly, the competition in the P2P industry is extremely fierce at this stage. Without any sound, personal credit investigation system in China, the development of the business is mainly achieved through high client hunting cost and default risk cost, without any assurance on profitability. Lastly, with the release of the "Interim Measures for the Administration of Business Activities of Internet Loan Information Agencies (Draft)", supervision and control over the P2P industry have become tighter, and the Group cannot rule out unpredictable policy risks in the future.

In view of the above reasons, divestiture of P2P related businesses of the Group is an important measure for managing and controlling the operation risk of the Group under the current situation to avoid greater losses from continued investment in the future. It is the best choice at the current strategic adjustment period of the Group. Accordingly, impairment loss amount of HK$141,687,000 was recognized in goodwill within the P2P internet financing business in current year by referencing the cash consideration for disposal of HK$2,000,000 at 1 March 2017.

Internet Sports and Mobile Web-based Gaming Business

In 2016, the Internet industry continued to face great volatility, and many industry segments appeared to focus their businesses around industry magnates. Due to the high homogeneity of products in the gaming market, natural selection and survival of the fittest in the industry aggravated and many small and medium enterprises could no longer continue with their business operation. Internet services and game development businesses operated by the subsidiaries of the Group failed to grab market opportunities promptly and their performance fell below expectation, with continued downside pressure.

In the same year, it was set out in the "13th Five-Year Plan for Sports Industry Development" that in the new period of development, China should step up efforts in developing "Sports +" and actively explore new businesses in the industry to guide and support the development of "Internet + Sports". Following the guidance of this plan, the Group started to make adjustments to the business of its subsidiaries in 2016 in the following two areas based on their actual operational conditions.

On the one hand, the Group reallocated its Internet-related core capabilities and revamped the scattered and isolated Internet products layout to form a business strategy with the sports industry as its core "Internet + Sports" products as its focus. Kingworld (Beijing) Technology Co., Ltd. was required to focus on the design, development and operation of online service platforms for large-scale sports events based on the exclusive services licensed by cooperation partners including the Chinese Football Association Super League, Chinese Football Association League One and the Winter Sports Management Center of the General Administration of Sport of China, instead of merely engaging in its online game business alone.

On the other hand, the Group reduced the proportion of mobile and web-based game development in its business. Beijing Kaixin Jiuhao Technology Co., Ltd., a non-wholly owned subsidiary of the Group, was required to adjust the structure of its principal business and seek a healthier mode of business development instead of investing heavily in traditional businesses such as development of mobile and web-based games, so as to avoid the adverse effects of the high volatility in the gaming industry on the overall performance of the Group and ensure the sound and steady development of the Group's businesses. Accordingly, at 31 December 2016, within the online game service business, impairment loss amount of HK$450,193,000 and HK$86,066,000 was recognized in goodwill and other intangible assets respectively.

Football Business

On 15 May 2016, Shenzhen Baoxin Sport Industry, Ltd., a wholly-owned subsidiary of the Group, established a joint venture, Shenzhen Baoxin Football Club Co., Ltd. ("Baoxin Football Club"), with Shenzhen Yinling Pingan Culture Media Co., Ltd. to officially establish its presence in the football industry through amateur leagues. The Shenzhen Baoxin Football Team under the Baoxin Football club achieved notable results by winning the championship and the second place respectively in the 30th Shenzhen Amateur Soccer League One in July and the 2nd CFCC City Football Game in October 2016.

The football industry, among the "three major ball-related" sports industries, has the most market value and receives the most policy support from the government. By operating and managing a football team, the Group could accumulate valuable experience for its upcoming sports events operation, sports training and sports venues operation. Through the outstanding performance of the football team, the Group could also obtain significant economic benefits, expand brand influence rapidly and facilitate the development of other principal businesses.

However, since all the football players' registration within the operation of a football club segment were terminated during the year, impairment loss on the other intangible assets amount of HK$22,593,000 was recognized.

The Group firmly believes that the football industry in China still has substantial room for growth, and securing a prime position in the market will lay the foundation for developing related businesses. On the coach and player arrangements of the Baoxin Football Club, the Group has launched a new round of personnel adjustment to strive to further improve the competitiveness of the football team in the new year, so as to achieve the leap from amateur games to professional leagues and lay a sound foundation for better game performance and long-term development.

New Sports Marine Sport Centre and New Sports Marine Training Centre

Operation of sports venues constitutes one of the key manifestations of sports services, which not only brings commercial revenue to enterprises, but also serves as an important measure taken by the government to improve people's livelihood, thus becoming a development priority of the Group. In December 2016, the Group fully acquired the entire issued share capital in Yue Jin Asia Limited at a consideration of HK$1 billion (by way of cash and share-based settlement), thus obtaining the operating right of the company's sea sports base (the "New Sports Marine Sport Centre ") and sea school (the "New Sports Marine Training Centre") in Dapeng New District, Shenzhen and successfully establishing its presence in the sports venues operation business.

Currently, the main project of the New Sports Marine Sport Centre is Dapeng Yacht Club, which is mainly engaged in traditional club services such as berth management, ships and boats management, membership services, as well as value added services including competitions and events hosting and sea entertainment, etc. It has been the main venue of the "China Cup International Regatta" for ten years in a row, and it is also the main training venue for the Shenzhen sailing and windsurfing team. After one year of operation and development, as at December 2016, the Dapeng Yacht Club continued to rank among the top three among peers in Shenzhen in terms of number of ships and boats, and attracted over 130,000 patrons by holding a number of large-scale competitions and events, far exceeding the figures of its competitors in the vicinity and laying a solid foundation for its future business transformation and development.

Since the takeover, the Group has initiated a repositioning of the business of New Sports Marine Sport Centre and New Sports Marine Training Centre to make full use of the good geographical location and existing activities to create sports service venues that could undertake sports training, sports tourism and large-scale sports events. The Group will further enrich their functions on top of yacht club services to build a new sports culture brand, thus making the district the first "sports cultural base with a good combination of sports events and tourism" in Shenzhen.

With the introduction of relevant policies such as the "China Water Sports Industry Development Plan" by the General Administration of Sport of China and the "13th Five-Year Plan for Tourism Development in Shenzhen", Dapeng New District has become the core area for the development of cultural and sports tourism in Shenzhen, and sports tourism has celebrated a much higher growth rate than that of the traditional tourism industry in recent years, fully meeting the needs of regional development. According to the Group's strategy, New Sports Marine Sport Centre will no longer be merely a sports venue operators in the future, it will also pull multiple resources together to provide people with quality sea entertainment projects, professional sea sports training services, and sea tourism services with good customer experience. The Group firmly believes that provided with both policy support and market demand, New Sports Marine Sport Centre and New Sports Marine Training Centre will witness a new round of rapid development.

PROSPECTS

In the future, New Sports Group Limited ("New Sports") will concentrate on creating a top-notch sports culture industry brand, focus on five main business segments including sports venues operation, sports training, sports events operation, sports tourism and sports property development. At present, the Group will first make good use of New Sports Marine Sport Centre and New Sports Marine Training Centre and vigorously develop related sea sports training, events operation and sports tourism based on its sports venues operations. As the Group's first large-scale sports stadium, New Sports Marine Sport Centre not only has excellent venue resources, but also strong soft power — the world's top sports events and athletes. Soft resources are the key to the creation of economic added value in the sports service industry. The Group firmly believes that through rendering training and games support to first-class international events and top athletes from the Shenzhen sailing and windsurfing team, the Group not only could help China win medals in sea sports in Olympic Games, but also inject new momentum for itself to create a new sea sports brand.

The year 2017 is a year for New Sports to make adjustments, maintain stability and build capacity. Internally, with a focus on its five main business segments, the Group will continue to adjust and consolidate its existing subsidiaries to lay a solid foundation for its sound development. Externally, responding to the call of national polices, the Group will step up investment and acquisitions to merge leading sports enterprises with innovation capacity and core competitiveness overseas into the Group to create a pan-industry chain in sports and make New Sports a reputable sports culture brand with both soft and hard powers in China and abroad.

In the new year, the Group is convinced that by adhering to the principle of sound and prudent operations, being modest in good times and remaining optimistic in bad times, the Group will achieve its goals of making adjustments, maintaining stability and advancing development, obtain good results in the operation and expansion of its five key business segments, and steer closer to its vision of building itself into an internationally renowned brand!

REVIEW OF RESULTS AND OPERATIONS

The Group's consolidated turnover for the year ended 31 December 2016 was approximately HK$155,207,000, decreased by HK$347,773,000 or 69% when compared to approximately HK$502,980,000 for 2015. The decrease was mainly attributable to the operation of software development in Japan market was downsizing since late 2015, which accounted for 78% of total turnover for 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 14.6% for 2015 to approximately 29.7% for the year. However, the Group recorded a gross profit of approximately HK$46,139,000 for the year ended 31 December 2016, representing a decrease of 37% when compared to approximately HK$73,311,000 for 2015.The gross profit of the provision of online game services was approximately HK$68,748,000, which was mainly contributed by the online game operation. The outsourcing software development business recorded a gross profit of approximately HK$528,000 for 2016, representing a significant decrease of HK$26,839,000 when compared to that for 2015. The significant decrease in gross profit was mainly due to the operation of software development in Japan market was downsizing and the operation of football club contribute a gross loss of HK$22,830,000 for 2016.

Administrative expenses of the Group for the year ended 31 December 2016 decreased to approximately HK$78,124,000, representing a decrease of approximately 41% when compared to approximately HK$132,209,000 for 2015. The decrease in administrative expenses is attributable to the decrease in share-based payments to consultants by HK$28,488,000. Operating loss of approximately HK$708,722,000 was recorded for the year when compared with the operating loss of approximately HK$31,503,000 for 2015.

Due to the increase in research and development expenses by HK$22,544,000, and the recognition of impairment on goodwill and other intangible assets, amounting to HK$560,709,000 and HK$108,659,000 respectively, which are partly offset by the fair value gain on contingent consideration receivable from acquisitions of Kingworld Holdings of HK$45,841,000, the Group recorded net loss of approximately HK$920,171,000 (including amount of HK$147,568,000 loss for the year from discontinued operation) for the year, when compared with the net loss of approximately HK$66,321,000 for 2015.

LIQUIDITY AND FINANCIAL RESOURCES

Since inception, the Group has mainly funded its operations through equity funding and operating cash flow. The Group managed to maintain this strong cash generating capability for the year ended 31 December 2016, with issue of new shares amounting to HK$1,395,698,000. As at 31 December 2016, the Company maintained a high level of cash and bank balances approximately HK$473,499,000 (31 December 2015: HK$419,212,000), representing an increase of HK$54,287,000, which mainly due to placement and subscription of new shares as well as increase in the amount of borrowings.

As at 31 December 2016, our total borrowings amounted approximately to HK$127,851,000 (31 December 2015: HK$21,485,000), representing an increase of HK$106,366,000 as compared with that as at 31 December 2015. The carrying amounts of the Group's borrowings are denominated in HKD and RMB and arranged at fixed interest rates and expose the Group to fair value interest rate risk. The gearing ratio (which is calculated by dividing total debts (including borrowings and convertible bonds) by total assets) was 0.137 (as at 31 December 2015: 0.175).

SHARE CAPITAL

(a) On 31 March 2016, completion of the acquisition of Heroic Coronet Limited took place, and pursuant to the sale and purchase agreement, the Company issued 750,000,000 consideration shares of HK$0.0025 each to the vendor of Heroic Coronet Limited as settlement of the consideration for the acquisition of Heroic Coronet Limited. The fair value of 750,000,000 new shares was HK$150,000,000, based on the bid price (HK$0.2 per consideration share) on 31 March 2016.

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

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

(d) On 19 September 2016, the Company entered into four subscription agreements in respect of the subscription of 12,181,629,000 ordinary shares of HK$0.0025 each to Origin Development Limited, Crystal Fount Investments Limited, Ms. Ai Qing and Ms. Zheng Kuanjian respectively at a price of HK$0.062 per share. The subscriptions were completed on 28 December 2016 and the premium on the issue of shares, amounting to approximately HK$724,807,000, was credited to the Company's share premium account. The Company issued and allotted 12,181,629,000 new shares on 28 December 2016.

(e) On 19 September 2016, the Company entered into a placing agreement in respect of the placement of 4,088,000,000 ordinary shares of HK$0.0025 each to not less than six independent investors at a price of HK$0.062 per share. The placement was completed on 30 December 2016 and the premium on the issue of shares, amounting to approximately HK$240,701,000, net of share issue expenses of HK$2,535,000, was credited to the Company's share premium account. The Company issued and allotted 4,088,000,000 new shares on 30 December 2016.

FUNDING PURPOSE

By raising additional capital through issuance of corporate bonds and new shares, the proceeds of the additional fund are used for acquisition of Yue Jin Asia Limited, general working capital and further development of sports-related mobile applications businesses.

SHARE OPTIONS

2014 Share Option Scheme (the "Share Option Scheme")

The Share Option Scheme was adopted on 26 March 2014. As at 31 December 2016, the number of shares in respect of which options had been granted and remained outstanding was 200,000,000 after share subdivision, representing 0.59% of the total number of issued shares of the Company as at the date of this announcement.

PLEDGE OF ASSETS

As at 31 December 2016, the Group had no pledged asset.

EMPLOYEE AND REMUNERATION POLICIES

The Group had 215 full time staff as at 31 December 2016 (2015: 182). Most of our staff was stationed in China. Their remuneration, promotion and salary review were assessed based on their respective job responsibilities, work performance, professional experiences and the prevailing industry practice. The Group maintained social insurance schemes for retirement, unemployment, personal injury and hospitalisation for all of its employees in China and a housing provident fund system has also been implemented for its employees in China.

FOREIGN EXCHANGE AND CURRENCY RISKS

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

CONTINGENT LIABILITIES

As at 31 December 2016, the Group had no material contingent liabilities (2015: Nil).

CAPITAL COMMITMENTS

As at 31 December 2016, the Group's capital commitment was approximately HK$2,557,000 (31 December 2015: HK$1,000,000) in respect of the purchase of property, plant and equipment.

FINAL DIVIDEND

The directors of the Company do not recommend payment of any final dividend for the year ended 31 December 2016 (2015: Nil).

SIGNIFICANT EVENTS

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

EVENT AFTER THE REPORTING PERIOD

Repayment of deposit paid for acquisition of subsidiaries

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, an amount of RMB65,000,000 (equivalent to approximately HK$77,584,000) has been paid to the vendors of Wuxi Xinyou their associates as deposits in relation to the potential acquisition. During the year, additional deposits of HK$200,000,000 and RMB15,000,000 were paid to the vendor of Wuxi Xinyou in relation to the potential acquisition.

On 22 September 2016, the Company received deeds of confirmation and undertaking dated 5 September 2016 executed by Wuxi Xinyou, the vendors of Wuxi Xinyou and their associates relating to the repayment of the deposits. Under the relevant deeds of confirmation and undertaking, among other things, (i) the Company and Wuxi Xinyou (being parties to the MOU) confirmed that the potential acquisition is now cancelled and terminated due to the fact that vendors of Wuxi Xinyou had entered into an agreement for the disposal of equity interests in Wuxi Xinyou to a third party; (ii) Wuxi Xinyou, vendors of Wuxi Xinyou and their associates have jointly and severally undertaken to repay the deposits to the Group as soon as possible and in any event not later than 31 December 2016 ("Due Date") and if an amount of HK$200,000,000 shall not be repaid in full by the Due Date, to pay daily interest on the outstanding sum accrued at the rate of 5/10000 until repayment in full; and (iii) Wuxi Xinyou, vendors of Wuxi Xinyou and their associates have jointly and severally undertaken to repay the deposits to the Group as soon as possible and in any event not later than the Due Date and if an amount of RMB80,000,000 shall not be repaid in full by the Due Date, to pay interest on the outstanding sum accrued at the rate of 5% per annum until repayment in full.

On 29 December 2016, amounts of HK$10,000,000 and RMB10,000,000 were repaid to the Group by Wuxi Xinyou, vendors of Wuxi Xinyou and their associates.

On 30 December 2016, the Company was notified by Wuxi Xinyou, vendors of Wuxi Xinyou and their associates, the deposits cannot be repaid in full by the Due Date. In light of the non-repayment of the deposits in full on 30 December 2016, Wuxi Xinyou, vendors of Wuxi Xinyou and their associates executed supplemental deeds of confirmation and undertaking relating to the repayment of the deposits. Pursuant to the supplemental deeds, (i) Wuxi Xinyou, vendors of Wuxi Xinyou and their associates have jointly and severally undertaken to repay the amount of HK$190,000,000 and daily interests accrued at a rate of 5/10000 by 28 February 2017; and (ii) Wuxi Xinyou, vendors of Wuxi Xinyou and their associates have jointly and severally undertaken to repay the amount of RMB70,000,000 and interests accrued at a rate of 5% per annum by 30 June 2017.

On 28 February 2017, an aggregate of HK$190,000,000 and all interests accrued thereon were repaid in full to the Group by Wuxi Xinyou, vendors of Wuxi Xinyou and their associates.

On 23 March 2017, the aggregate outstanding loans in the amount of RMB70,000,000 and all interests accrued thereon were repaid in full to the Group by Wuxi Xinyou, vendors of Wuxi Xinyou and their associates. Therefore, there is no outstanding balance remain due at the date of this announcement.

Establishment of a joint venture company

On 21 February 2017, Baoxin Sport, a wholly-owned subsidiary of the Company and Mr. Huang Xintao, an independent third party, entered into a non-legally binding memorandum of understanding (the "MOU"), pursuant to which Baoxin and Mr. Huang proposed to establish a joint venture company (the "JV Company"), the equity interest of which is proposed to be held as to 75% by Baoxin and 25% by Mr. Huang. Subject to the signing of a definitive agreement regarding the set-up of the JV Company, it is proposed that, upon the establishment of the JV Company and the capital having been contributed to the JV Company as registered capital, the JV Company will acquire 68% equity interests in Shenzhen Feifan Concept Culture Development Company Limited* (深圳市非凡理念文化發展有限公司) ("Feifan") from Mr. Huang. Feifan, through its non wholly-owned subsidiary Shenzhen Buji Wenti Centre Operation Management Company Limited* (深圳市布吉文體中心運營管理有限公司) ("Buji Wenti"), is currently developing the Shenzhen Longgang District Buji Cultural Centre BTO Project (深圳市龍崗區布吉文體中心BTO項目), the completion of which will entitle Buji Wenti a 30-year operation right to the venue of the Shenzhen Longgang District Buji Cultural Centre (save and except the library and the cultural hub), which includes a cinema, a theatre, book stores, a stadium, a cultural exhibition centre, an art centre and workshops.

Disposal of Key Rich Corporation Limited

Reference was made on 15 August 2016, New Sports Investment Holding Limited (the "NSI"), 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 interests in Key Rich for a consideration of HK$60,000,000.

On 1 March 2017, NSI entered into a Sale and Purchase Agreement and Deed of Assignment of Loan with an independent third party of the Company and its connected persons (the "Purchaser") in relation to the disposal of 100% equity interest in Key Rich and the assignment of outstanding shareholder's loan in the amount of HK$3,219 to the Purchaser at a cash consideration of HK$2,000,000.

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 the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (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 year ended 31 December 2016.

Save as disclosed above, all the Directors have confirmed that they have complied with the required standards set out in the Model Code and the Code of Conduct throughout the year ended 31 December 2016.

CORPORATE GOVERNANCE

The Company emphasizes on corporate governance and committed to maintaining high standard of corporate governance which is reviewed and strengthened from time to time.

During the year under review, the Company has applied and complied with the applicable provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules, except the deviation disclosed herein.

(a) Deviations

	Code Provision	**Deviation**	**Considered Reason for deviation**
A.1.3	Notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend.	During the year, certain regular Board meetings were convened with less than 14 days' notice to enable the Directors to react timely and carry out expeditious decision making in respect of transactions which were of significance to the Group's business. As a result, the Board meetings were held with a shorter notice period than required with the consent of all Directors for that time being.	The Board will do its best endeavor to meet the requirement of code provision A.1.3 of the CG Code in the future.
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.
A.7.1	Board meetings papers should be sent to all directors at least 3 days before the intended date of meeting.	During the year, certain ad hoc Board meetings were held and the relevant board meeting papers were sent to all Directors less than 3 days before the date of the Board meeting.	The Board will do its best endeavor to meet the requirement of code provision A.7.1 of the CG Code in the future.

(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. The Board has engaged an external professional firm to conduct an internal control and risk assessment review of the Group to enhance its internal control. The independent advisor had recommended certain internal control policies and procedures to the Group to improve internal control deficiency.

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

CHANGE OF DIRECTORS' INFORMATION

Upon specific enquiry by the Company and following confirmations from Directors, save as otherwise set out in this announcement, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published interim 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. Ms. Xia Lingjie was re-designated as an executive Director and was appointed as deputy managing director of Shenzhen Baoxin Football Club Co., Ltd.* (深圳寶新足球俱樂部有限公司), a non-wholly owned subsidiary of the Company with effect from 17 August 2016;

2. Mr. Lau Wan Po was re-designated as a non-executive Director with effect from 18 November 2016;

3. Mr. Lau Wan Po was appointed as a non-executive director and vice chairman of Goldenmars Technology Holdings Limited (a company listed on the Main Board of Stock Exchange (Stock Code: 3638)) 26 January 2017;

4. Mr. Chui Man Lung, Everett resigned as an independent non-executive Director with effect from 20 January 2017. Mr. Chui ceased to be the chairman of Audit Committee and a member of Salary Review Committee and Nomination Committee of the Company with effect from 20 January 2017; and

5. Dr. Tang Lai Wah was appointed as the chairman of Audit Committee with effect from 20 January 2017.

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 Dr. Tang Lai Wah (Chairman), Mr. Chen Zetong and Ms. He Suying.

The Audit Committee has reviewed and approved the Group's audited results for the year ended 31 December 2016. The results have been audited by RSM Hong Kong, the auditor of the Company.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Company's auditor, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2016. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

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

Hong Kong, 24 March 2017

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

* *for purpose of identification only*