NEW SPORTS GROUP LIMITED
新體育集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 299)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The directors (the "Directors") of New Sports Group Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017 (the "Period"), which has been reviewed by the audit committee of the Company (the "Audit Committee").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
	Note	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
			(restated)
Continuing operations			
Revenue	*3*	**27,502**	65,795
Cost of services		**(61,544)**	(44,375)
Gross (loss)/profit		**(34,042)**	21,420
Distribution costs		**(210)**	(11,197)
Administrative expenses		**(27,273)**	(38,563)
Research and development expenses	*5*	**(205)**	(8,853)
Realised gain on contingent consideration receivable	*5*	**229,384**	–
Gain on disposal of subsidiaries	*5*	**165,479**	–
Fair value gain on investment properties		**33,388**	–
Fair value loss on derivative financial assets		**(2,912)**	–

	Note	Six months ended 30 June 2017 HK$'000 (unaudited)	2016 HK$'000 (unaudited) (restated)
Fair value gain on financial assets at fair value through profit or loss		**30,698**	–
Fair value gain on contingent consideration payable		**212,521**	19,500
Impairment losses on goodwill		**(75,263)**	(90,389)
Impairment losses on other intangible assets		**(13,984)**	(86,066)
Impairment loss on other receivables		**(284,458)**	–
Other income, gains/(losses)		**25,962**	4,831
Profit/(loss) from operations		**259,085**	(189,317)
Finance costs	*5*	**(29,235)**	(29,343)
Profit/(loss) before tax		**229,850**	(218,660)
Income tax (expense)/credit	*4*	**(12,658)**	3
Profit/(loss) for the period from continuing operations	*5*	**217,192**	(218,657)
Discontinued operation			
Loss for the period from discontinued operation		**(9,836)**	(3,534)
Profit/(loss) for the period		**207,356**	(222,191)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences arising on translating foreign operations		**(11,758)**	(25,126)
Exchange differences reclassified to profit or loss on disposal of subsidiaries		**23,740**	–
Other comprehensive income for the period, net of tax		**11,982**	(25,126)
Total comprehensive income for the period		**219,338**	(247,317)

	Note	Six months ended 30 June 2017 HK$'000 (unaudited)	2016 HK$'000 (unaudited) (restated)
Profit/(loss) for the period attributable to:			
Owners of the Company		**208,262**	(186,277)
Non-controlling interests		**(906)**	(35,914)
		207,356	(222,191)
Total comprehensive income for the period attributable to:			
Owners of the Company		**220,303**	(210,570)
Non-controlling interests		**(965)**	(36,747)
		219,338	(247,317)
Earnings/(loss) per share			
From continuing and discontinued operations			
— Basic	*7*	**HK0.612 cents**	HK(1.243) cents
— Diluted	*7*	**HK0.612 cents**	HK(1.243) cents
From continuing operations			
— Basic	*7*	**HK0.640 cents**	HK(1.219) cents
— Diluted	*7*	**HK0.640 cents**	HK(1.219) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Note	**30 June 2017** **HK$'000** **(unaudited)**	31 December 2016 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**53,033**	49,534
Investment properties	*8*	**316,659**	–
Goodwill	*9*	**178,439**	249,914
Other intangible assets	*10*	**827,418**	872,317
Deposits paid for property, plant and equipment		**20,235**	19,773
Deposits paid for investment properties		**–**	216,144
Deposits paid for acquisition of subsidiaries		**114,400**	–
Other deposits		**41,184**	40,291
Derivative financial assets		**3,536**	6,448
Deferred tax assets		**24,810**	24,244
		1,579,714	1,478,665
Current assets			
Trade and other receivables	*11*	**176,492**	399,370
Financial assets at fair value through profit or loss		**213,836**	–
Derivative financial assets		**–**	45,841
Current tax assets		**–**	937
Bank balances and cash		**243,212**	473,499
		633,540	919,647
Current liabilities			
Borrowings		**224,145**	127,851
Convertible bonds		**–**	200,596
Trade and other payables	*12*	**103,966**	154,830
Deferred revenue		**338**	4,160
Current tax liabilities		**4,472**	24,897
		332,921	512,334
Net current assets		**300,619**	407,313
Total assets less current liabilities		**1,880,333**	1,885,978

	Note	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
Non-current liabilities			
Consideration payable		**100,347**	91,010
Contingent consideration payable		**42,678**	255,199
Deferred revenue		**–**	213
Deferred tax liabilities		**111,298**	102,544
		254,323	448,966
NET ASSETS		**1,626,010**	1,437,012
Capital and reserves			
Share capital		**85,130**	85,130
Reserves		**1,540,880**	1,320,577
Equity attributable to owners of the Company		**1,626,010**	1,405,707
Non-controlling interests		**–**	31,305
TOTAL EQUITY		**1,626,010**	1,437,012

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2017

1. BASIS OF PREPARATION

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

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

These condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2016 except as stated below:

Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

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 2017. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

3. SEGMENT INFORMATION

The Group has five operating segments as follows:

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
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:

Six months ended 30 June 2017 (unaudited)

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

Six months ended 30 June 2016 (unaudited)

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

As at 30 June 2017 (unaudited)

	Discontinued	Continuing					
	P2P financial intermediary services in the PRC	**Software development in the PRC**	**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***
Segment assets	**–**	**–**	**154,660**	**–**	**660,689**	**343,545**	**1,158,894**
Unallocated assets							**1,054,360**
Consolidated total							**2,213,254**
Segment liabilities	**–**	**–**	**52,831**	**–**	**34,530**	**76,496**	**163,857**
Unallocated liabilities							**423,387**
Consolidated total							**587,244**

As at 31 December 2016 (audited)

	Discontinued	Continuing					
	P2P financial intermediary services in the PRC	Software development in the PRC	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*
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

4. INCOME TAX (CREDIT)/EXPENSE

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

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profit Tax	**4,473**	–
PRC Enterprise Income Tax	**400**	4,330
	4,873	4,330
Underprovision in prior years		
PRC Enterprise Income tax	**–**	1,034
Deferred tax:		
Current period	**7,785**	(5,367)
	12,658	(3)

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the six months ended 30 June 2017. No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the six months ended 30 June 2016.

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

Pursuant to relevant laws and regulations in the PRC, Kingworld (Beijing) Technology Co., Ltd. ("Kingworld Beijing"), a subsidiary in the PRC, 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 six months ended 30 June 2017.

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.

5. PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Amortisation of other intangible assets (included in cost of services)	**30,716**	39,388
Allowance for doubtful debts	**1,060**	–
Bad debts written off	**–**	3,334
Depreciation of property, plant and equipment	**3,333**	1,835
Directors' remuneration	**1,483**	8,757
Realised gain on contingent consideration payable	**(229,384)**	–
Gain on disposal of property, plant and equipment	**–**	(27)
Government subsidies	**–**	(1,183)
Interest income from bank balances	**(598)**	(54)
Net foreign exchange loss/(gain)	**2,362**	(6,737)
Operating lease charges in respect of office premises	**3,245**	3,223
Research and development expenses	**205**	8,853
Share-based payments to consultants	**–**	3,060
Impairment losses on goodwill	**75,263**	90,389
Impairment losses on other intangible assets	**13,984**	86,066
Impairment losses on other receivables	**284,458**	–
Gain on disposal of subsidiaries	**(165,479)**	–
Fair value gain on investment properties	**(33,388)**	–
Fair value gain on financial assets at fair value through profit or loss	**(30,698)**	–
Fair value gain on contingent consideration payable	**(212,521)**	(19,500)
Fair value loss on derivative financial assets	**2,912**	–

Research and development expenses include staff costs of approximately HK$203,000 for the six months ended 30 June 2017 (2016: HK$5,964,000).

6. DIVIDENDS

The Directors did not recommend payment of an interim dividend for the current Period (six months ended 2016: Nil).

7. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share is based on the following:

	Six months ended 30 June	
	2017	2016
	'000	*'000*
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	**34,052,135**	14,990,223

From continuing and discontinued operations

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

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit/(loss)		
Profit/(loss) for the purpose of calculating basic earnings/(loss) per share	**208,262**	(186,277)

From continuing operations

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

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit/(loss)		
Profit/(loss) for the purpose of calculating basic earnings/(loss) per share	**208,262**	(186,277)
Less: Loss for the period from discontinued operation (attributable to the Company)	**(9,836)**	(3,534)
Profit/(loss) for the purpose of calculating basic earnings/(loss) for share from continuing operations	**218,098**	(182,743)

From discontinued operation

Basic loss per share from the discontinued operation is HK0.028 cents per share (2016: loss of HK0.024 cents per share), based on the loss for the period from discontinued operation attributable to the owners of the Company of approximately HK$9,836,000 for the six months ended 30 June 2017 (2016: loss of approximately HK$3,534,000) and the denominators used are the same as those detailed above for basic earnings/(loss) per share.

The effects of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2016 and 2017.

8. INVESTMENT PROPERTIES

During the six months ended 30 June 2017, the Group acquired investment properties of approximately HK$316,659,000 (2016: HK$Nil), of which approximately HK$221,187,000 (2016: HK$Nil) was transferred from deposits paid for acquisition of investment properties.

9. GOODWILL

	HK$'000
Cost	
At 1 January 2016 (audited)	712,622
Arising on acquisition of subsidiaries (audited)	284,553
Exchange differences (audited)	(44,865)
At 31 December 2016 and 1 January 2017 (audited)	952,310
Derecognised on disposal of subsidiaries	(322,861)
Exchange differences	19,377
At 30 June 2017 (unaudited)	648,826
Accumulated impairment	
At 1 January 2016 (audited)	–
Impairment loss recognised in current year (audited)	702,396
At 31 December 2016 and 1 January 2017 (audited)	702,396
Impairment loss recognised in current period	75,263
Derecognised on disposal of subsidiaries	(320,861)
Exchange differences	13,589
At 30 June 2017 (unaudited)	470,387
Carrying amount	
At 30 June 2017 (unaudited)	178,439
At 31 December 2016 (audited)	249,914

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

	30 June 2017 *HK$'000* **(unaudited)**	31 December 2016 *HK$'000* (audited)
Provision of online game services		
Kingworld Holdings Limited ("Kingworld Holdings")	**–**	73,546
P2P financial intermediary services		
Key Rich Corporation Limited ("Key Rich")	**–**	2,000
Operation of a yacht club		
Shenzhen Dapeng Yacht Club Company Limited ("Dapeng Yacht Club")	**67,835**	66,287
Provision of international education services		
Shenzhen Dapeng International Education Company Limited ("Dapeng International Education")	**110,604**	108,081
	178,439	249,914

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

The Group prepares cash flow forecasts of Dapeng Yacht Club and Dapeng International Education derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 2.7% and 3.0% respectively. This rate does not exceed the average long-term growth rate for the relevant markets.

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

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

At 30 June 2017, before impairment testing, goodwill of HK$75,263,000 was allocated to Kingworld Holdings within the online game services segment. Due to the slow growth in number of users for sport apps 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$11,696,000 and an impairment loss of HK$75,263,000 recognised on goodwill and HK$13,984,000 recognised on other intangible assets within the online game services segment.

At 30 June 2017, before impairment testing, goodwill of HK$67,835,000 and HK$110,604,000 were allocated to Dapeng Yacht Club and Dapeng International Education within operation of a yacht club and provision of international education segment respectively. Based on their recoverable amounts as at 30 June 2017, no impairment loss has been recognised in profit or loss.

10. OTHER INTANGIBLE ASSETS

During the six months ended 30 June 2017, the Group did not purchase and dispose of 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.

The Group prepares cash flow forecasts of Dapeng Yacht Club and Dapeng International Education derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 2.7% and 3.0% respectively. This rate does not exceed the average long-term growth rate for the relevant markets.

11. TRADE AND OTHER RECEIVABLES

	30 June 2017 *HK$'000* **(unaudited)**	31 December 2016 *HK$'000* (audited)
Trade receivables	**22,570**	34,027
Other receivables	**90,402**	10,282
Deposits paid for a potential acquisition of subsidiaries *(Note)*	**–**	268,252
Other deposits	**2,030**	2,492
Prepayments	**61,490**	84,317
Total trade and other receivables	**176,492**	399,370

The Group generally allows an average credit period of 120 days (31 December 2016: 120 days) for its game distribution platforms, 90 days (31 December 2016: 90 days) for its game development customers and 30 days (31 December 2016: 30 days) for its advertising customers.

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

	30 June 2017 *HK$'000* **(unaudited)**	31 December 2016 *HK$'000* (audited)
0–30 days	**3,313**	12,021
31–60 days	**4,057**	11,799
61–90 days	**3,296**	2,350
91–180 days	**7,232**	3,120
181–360 days	**2,244**	2,887
Over 360 days	**2,428**	1,850
	22,570	34,027

Note:

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

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

12. TRADE AND OTHER PAYABLES

	30 June 2017 *HK$'000* **(unaudited)**	31 December 2016 *HK$'000* (audited)
Trade payables	**279**	2,695
Wages and salaries payables	**5,039**	67,879
Accruals	**4,316**	8,197
Other tax payables	**772**	1,564
Other payables	**93,560**	74,495
	103,966	154,830

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

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

	30 June 2017 *HK$'000* **(unaudited)**	31 December 2016 *HK$'000* (audited)
0–30 days	**–**	–
31–60 days	**167**	87
61–90 days	**–**	–
91–180 days	**77**	–
Over 180 days	**35**	2,608
	279	2,695

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND MARKET OVERVIEW

In recent years, the sports industry in China has experienced rapid development with fruitful outcomes on the back of the promulgation of a series of guidance opinions with respect to the sports sector in China and the upgrade of the concept of "sport for all" to a national strategy level. The total output (total size) of the sports industry reached RMB1.7 trillion in 2015; and according to the "13th Five-year Plan for Sports Industry Development" promulgated in 2016, the market size is even targeted at RMB5 trillion by 2025.

While the overall size is increasing, the system of sports industry has also been improving. The infrastructure sectors, including sports venues operation, sports training and sports event management, delivered great impetus; and the trend of industry integration has further emerged. New sectors such as sports and tourism and property have continuously increased their penetration rates, bringing new driving forces to the market. In particular, based on relevant statistical data, it is expected that the market size of sports venues operation can reach RMB144 billion by 2020; the sports training business is expected to increase to RMB750 billion by 2025; and for sports tourism, China has enjoyed a lead of 30% to 40% in growth rate ahead of global figures. The total consumption scale of sports tourism will exceed RMB1 trillion by 2020.

Meanwhile, in countries where the sports industry is well developed, income generated from the sports industry accounts for approximately 1% to 3 % of the gross domestic product (GDP) per annum, while the figure in the United States even reaches 3%. In China, however, the sports industry only accounted for 0.63% of the GDP per annum as at the end of 2015, meaning there is a gap between China and other developed countries in terms of the development of the sports industry. In the long run, such gap shall represent an enormous room for the development of China's sports industry. The "blowout" of China's sports industry is set to evolve.

Facing such a new industry landscape, the Group believes that innovation and revolution are the ultimate driving forces for its sustainable development. As such, the Group keeps looking for sound business opportunities in sports event management and sports training to further strengthen its core businesses, while staying proactively and acting decisively in the sports tourism sector. In the meantime, since the sports and property sectors are interrelated and new types of properties, including "sports towns", "sports malls", "community sports parks", are well received by the markets and reveal a strong development trend, the Group believes that proper integration of property investment and business development with the existing sports industry is a market decision that presents promising future. As part of the Group's future development strategy, the incorporation of property investment and development in our operations can boost the expansion of both light and heavy assets, and lay a strong foundation for the Group in developing an integrated industry chain.

BUSINESS REVIEW

P2P Internet Financing Business

Since 2017, the cumulative problems arising from the P2P Internet financing industry have gradually evoked, and a raft of negative social and economic news emerged. The regulatory requirements have been tightened after a series of industry reshuffle and uncontrollable policy risks may occur at any time. On the other hand, the credibility of fund absorbing by P2P financing and its inherently insufficient credibility resulted in a heavy burden of funding cost pressures on the entire industry. Due to the extremely uncertain prospects of the industry and the failure to achieve synergy between the Group's P2P Internet Financing Business and other businesses (impairment loss on goodwill of approximately HK$141,687,000 was recognized from P2P Internet Finance Business in 2016), the Group completed the divestment of Key Rich and its subsidiaries which are related to the Group's P2P Internet Financing Business in March 2017 and officially exited from the Internet financing platform services industry.

The Group believes that this was a decisive move in response to market changes. The disposal of the business would enable the Group to dedicate its efforts to monitoring and controlling its existing businesses and sculpturing a more stable development landscape by exiting from a high-risk industry.

Online Game Business

Under the consistent influence caused by the significant volatility in the Internet market and the high homogeneity of products in the gaming market, Heroic Coronet Limited ("Heroic Coronet"), a member of the Group, incurred significant loss in 2016. Impairment losses on goodwill and other intangible assets amounting to approximately HK$175 million and approximately HK$86 million respectively, were recognized from the online game service business. The Group disposed of its entire equity interest in Heroic Coronet and its rights in the shareholder's loan in May 2017. In addition, as the original "SinoCom" group of companies no longer constitute the core businesses of the Group, the Group settled the issues previously left over and completed the divestment and disposal of all idle companies in software development and IT related segments and attained a complete revitalization of the Group.

The above activities have protected the Group's overall performance against the continuous adverse impact caused by the high volatility of the gaming industry and relieved the pressure arising from the enormous initial investment in the early stage of game development. The Group was therefore able to lay down its burdens and effectively redirected the capital funds into businesses with brighter and more stable development prospects.

Sports Tourism and Sports Training

During the first half of 2017, the Group continued to streamline its core businesses by divesting and integrating the barely satisfactory operations and laid the groundwork for the development of the sports tourism and sports training segments with the support of New Sports Marine Sport Centre and New Sports Marine Training Centre.

The Group obtained the operating right of the marine sports base (renamed as "New Sports Marine Sport Centre") and sailing school (renamed as "New Sports Marine Training Centre") in Dapeng New District in December 2016, and the two venues have subsequently become powerful vehicles of the Group's core businesses after more than six months of operation. New Sports Marine Sport Centre has now been transformed into an integrated leisure and tourism platform that offers yacht parking, boat leasing, yacht skippering training, diving training, vacation and leisure and starred hotels. In particular, the Group has successfully entered into the New Sports • China Cup Ten Years Strategic Framework Agreement with the Organizing Committee of China Cup International Regatta at the 1st New Sports • Dapeng Coast Triathlon Challenge and New Sports Marine Sport Centre Brand Release held in August. It confirmed that New Sports Marine Sport Centre would be the official competition venue of China Cup for the next ten years. Following the reconstruction of the facilities and soft environment, New Sports Marine Training Centre currently has established in-depth cooperation with large institutions and organizations with training demand, including the Emergency Management Office of Shenzhen.

At the present stage, seizing the opportunities generated from the Shenzhen government's brand new strategic positioning — Eastward Shift Strategic Action Plan and "Tourism Demonstration Area" in Dapeng New District, the Group has successfully gained a head start in the sports tourism and sports training industry with the advantage of a well-situated marine event venue and an integrated training base, which provide a vigorous driving force for the development of the Group's main businesses.

Property Investment Development and Securities Investment

On 28 June 2017, the Group entered into an agreement for the acquisition of the entire equity interest in Shenzhen Borui Enterprise Management Company Limited ("Shenzhen Borui") for a total consideration of RMB950 million. Upon the completion of the acquisition, the Group will hold approximately 56.8% of the entire equity interest in Shenzhen Chaoshang Joint Investment Company Limited ("Chaoshang Joint Investment"), where Chaoshang Joint Investment, in turn, holds the entire equity interest in Chaoshang Group (Shantou) Investment Company Limited ("Chaoshang Group (Shantou)"), approximately 96.24% of the entire equity interest in Shantou Chaoshang Chengzhen Comprehensive Management Company Limited ("Chaoshang Chengzhen") and approximately 7.24% of the entire equity interest in Shenzhen Chaoshang Equity Investment Fund Company Limited ("Chaoshang Fund").

Chaoshang Group (Shantou) owns the Lot No. A-03-01 which is situated at Zhongshan East Road, Shantou and has been planned for commercial, retail, catering and hotel use. Chaoshang Chengzhen owns Lot No. G2014-8-1 which is situated at Chaoyang district, Shantou, covering a useable land area of approximately 71,702 square meters, and has been planned mainly for residential and commercial and financial uses. Details are set out in the announcement of the Company dated 28 June 2017. In addition to the property investment in Shantou region, the Group has also made other investments during the year, including several real estate projects in Shenyang and Hefei.

With respect to the aforementioned acquisitions, the Group considers that, from the operation perspective, tapping into property development and investment would allow the Group to obtain adequate cash flows and create a virtuous working capital cycle. On top of it, the concept of "community sports" can increase the value of real estate properties and promote sports health among the general public. Through the management and operation of these properties, the Group is able to accumulate experience for the construction and operation of sports venues in larger scale, laying a solid foundation for the Group's prioritized "sports venues operation" and provides continuous support for stabilizing the cash flows and enhancing the loyalty of mass consumers. Following the inclusion of the Guangdong-Hong Kong-Macau Greater Bay Area into China's national strategy and the future integrated development within the Shenzhen-Shanwei Special Cooperation Zone, the Group believes that the prospects of the property development and investment market in Guangdong Province (especially Chaoshang area) of China is highly promising. The above acquisitions also mark the Group's expansion into property investment and development business building on its sports-related operations.

While expanding the scale of heavy assets, the Group also conducts securities investment in certain local listed companies which will constitute part of the core businesses of the Group in the future. Complementing each other, the securities investment segment and the physical business segments will pave a solid path for the Group's sustainable development.

OUTLOOK

Upon the completion of the divestment in the first half of 2017 and acquisition of Shenzhen Borui, the Group has basically achieved a strategic layout for business growth featuring "Sports and Health, Culture and Tourism, Property Investment and Development". The Group believes that the new business scope will formulate a healthy development model primarily focusing on physical businesses after exiting the "speculative" mobile Internet entertainment industry and avoiding the investment risks of "high input, low return" in the software development and IT industry. As such, the Group has switched into a fast lane of diversified development with sustainable cash flows.

In the second half of 2017, the Group will concentrate on the three key aspects of "Sports and Health, Culture and Tourism and Property Investment and Development" and optimize the internal resources continuously while expanding the external operations steadily to create a long-term, sustainable, stable and forward-looking inner-connection among the above three aspects to achieve a virtuous cycle and an effective closure of the entire industry chain. Building on our stadium management, sports training, tournament events management and sports tourism experience, the Group will further expand into sports real estate development and securities investment, which will become the main businesses of the Group, to effectively complete the whole industry chain strategic layout.

REVIEW OF RESULTS AND OPERATIONS

During the Period, the Group achieved approximately HK$27,502,000 in revenue, representing a significant decrease of approximately 58% from that of approximately HK$65,795,000 during the same period of last year. The significant drop in revenue was mainly attributable to the disposal of All Rise Technology Limited ("All Rise"), which owned 65% of Beijing Kaixin Jiuhao Technology Limited ("Kaixin Beijing") and engaged in provision of online game services. The disposal of All Rise was due to the performance of the Kaixin Beijing fell below expectation for the Period.

Gross loss was approximately HK$34,042,000, comparing to the gross profit of approximately HK$21,420,000 during the corresponding period of last year. The overall gross profit ratio decreased from approximately 32.6% to gross loss ratio of approximately 123.7%. The substantial decrease was mainly due to the decrease in revenue in mobile gaming industry for the Period. With respect of the operation of a yacht club and provision of training services, the gross loss resulted from the inclusion of the non-cash amortization expense of other intangible assets of approximately HK$30,716,000 into cost of services.

During the Period, the Group's distribution costs, amounted to approximately HK$210,000 (as at 30 June 2016: HK$11,197,000), administrative expenses amounted to approximately HK$27,273,000 (as at 30 June 2016: HK$38,563,000) and research and development expenses amounted to approximately HK$205,000 (as at 30 June 2016: HK$8,853,000) respectively, representing a decrease of approximately 98%, 29% and 98% respectively when compared with the same period of last year. The decrease was mainly attributable to the Group's effective cost control measures.

During the Period, financial investment business was newly exploited by the Group, and determined as an ordinary and usual course of business of the Company during the Period. The Group's investments in the listed shares were recorded as financial assets at fair value through profit or loss on the consolidated balance sheet, which was approximately HK$30,698,000 as at 30 June 2017.

Substantial impairment for goodwill and other intangible assets of operation of software development in the PRC amount of HK$75,263,000 and HK$13,984,000 respectively based on valuation of fair value changes in relevant businesses.

Besides, fair value gain of HK$212,521,000 resulted from the adjustment on contingent consideration in relation to the acquisition of Yue Jin Asia Limited with reference to the financial performance of Yue Jin Asia Limited for the year ending 31 December 2018.

Certain discontinued entities of our software development and P2P Internet financing business with net liabilities were disposed during the Period, which resulted a one-time disposal gain of subsidiaries amount of HK$155,643,000, which comprise gain on disposal of subsidiaries of HK$165,479,000 and loss on disposal of a subsidiary of HK$9,836,000 recognised in profit or loss.

Income tax expense for the Period was approximately HK$12,658,000 as compared with an income tax credit for the same period of 2016 of approximately HK$3,000.

As a result of the above-mentioned factors, the Group recorded net profit of approximately HK$207,356,000 for the Period, when compared with the net loss of approximately HK$222,191,000 for the same period of last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group had cash and bank balances approximately HK$243,212,000 (as at 31 December 2016: HK$473,499,000). Total borrowings of the Group amounted to approximately HK$224,145,000 as at 30 June 2017, of which HK$203,553,000 and HK$20,592,000 equivalent is denominated in Hong Kong dollar and Renminbi respectively. The borrowings included bank loans of approximately HK$20,592,000, corporate bond of approximately HK$128,204,000 and pledged loan of approximately HK$75,349,000. All loans bore fixed interest rates and exposed the Group to fair value interest rate risk.

As at 30 June 2017, the Group had net current assets of approximately HK$300,619,000, as compared to balance of approximately HK$407,313,000 as at 31 December 2016. As at 30 June 2017, the gearing ratio (which is calculated by dividing total debts (including borrowings) by total assets) of the Group was 0.101, at similar level of 0.137 as at 31 December 2016.

For the first six months of 2017, net cash used in operating activities after interest and taxation paid was HK$62,997,000, while HK$7,737,000 was generated for the same period of 2016. Net cash used in investing activities was HK$64,987,000, mainly included capital expenditures of HK$8,145,000 and investment in securities of HK$183,138,000; partially offset by net receipt of deposit paid for acquisition of subsidiaries of HK$155,680,000, net proceeds from disposal of subsidiaries of HK$23,387,000 and dividends received of HK$6,207,000.

CAPITAL EXPENDITURE

The total spending on the acquisition of property, plant and equipment amounted to HK$8,145,000 for the six months ended 30 June 2017 (as at 30 June 2016: HK$240,000).

CHARGE OF ASSETS

As at 30 June 2017, certain financial assets of the Group with aggregate carrying value of HK$123,408,200 was pledged to secure the relevant loans amount of HK$75,348,648. As at 31 December 2016, other borrowings of HK$15,000,000 are secured by a share charge over the entire issued capital of a wholly-owned subsidiary.

EMPLOYEE AND REMUNERATION POLICIES

The Group had 190 full time staff as at 30 June 2017 (as at 31 December 2016: 215) in Hong Kong and the PRC. The Group reviews remuneration and benefits of its employees annually according to the relevant market practice and individual performance of the employees.

Save for the social insurance in China and the mandatory provident fund scheme in Hong Kong, the Group has not set aside or accrued any significant funds to provide for retirement or similar benefits for its employees. The staff costs incurred for the Period were approximately HK$11,294,000 (as at 30 June 2016: approximately HK$20,253,000).

FOREIGN EXCHANGE AND CURRENCY RISKS

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. Our management will continue to monitor our foreign exchange exposure and will consider hedging the foreign currency exposure when it is necessary

CONTINGENT LIABILITIES

As at 30 June 2017, the Group had no material contingent liability.

CAPITAL COMMITMENTS

As at 30 June 2017, the Group's capital commitment was approximately HK$8,358,000 (as at 31 December 2016: HK$2,557,000) in respect of the purchase of property, plant and equipment.

INTERIM DIVIDEND

The Directors do not recommend payment of any interim dividend for the six months ended 30 June 2017 (as at 30 June 2016: Nil).

CORPORATE GOVERNANCE

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

The Board and the management of the Company are of the opinion that the Company has properly operated in accordance with the Corporate Governance Code and Corporate Governance Report (the "CG Code") during the six months ended 30 June 2017 which sets out (a) code provisions (which are expected to comply with); and (b) recommended best practices (which are for guidance only) in Appendix 14 of the Listing Rules. The Company has applied and complied with the applicable code provisions and some of the recommended best practices except for one deviation of code provisions as stated in the subject headed "Compliance with CG Code" below.

Risk Management and Internal Control

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Board has delegated to the management the implementation of such systems of internal controls as well as the annual review of the relevant financial, operational and compliance controls and risk management procedures. The Board considers the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. Details of the Group's risk management system and procedures were set out in the Corporate Governance Report of the Annual Report for the year ended 31 December 2016 published on 21 April 2017 (the "Annual Report") under the subject headed "Risk Management and Internal Control".

Compliance with CG Code

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

During the Period, Mr. Zhang Xiaodong was the Chairman and Chief Executive Officer ("CEO") of the Company. This arrangement deviates from provision A.2.1 of the CG Code, which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive office should be clearly established and set out in writing.

The Board is of the opinion that vesting the roles of chairman and CEO in the same person facilitates the execution of the Group's business strategies and maximizes effectiveness of its operation. The Board considers that there is a sufficient balance and division of responsibilities and authority, hence it does not have a material adverse impact on the corporate governance of the Company.

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

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 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 Annual Report.

As announced by the Company on 19 January 2017, the following changes of Directors and committee members of the Company were all effective on 20 January 2017:

(i) Mr. Chui Man Lung, Everett resigned as an independent non-executive Director, the chairman and a member of the Audit Committee and a member of the nomination committee and the salary review committee of the Company.

(ii) Dr. Tang Lai Wah was appointed as the chairman of the Audit Committee.

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 all the three independent non-executive Directors, currently Dr. Tang Lai Wah (Chairman), Mr. Chen Zetong and Ms. He Suying.

The Audit Committee has reviewed and approved the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2017.

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

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

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

Hong Kong, 18 August 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.