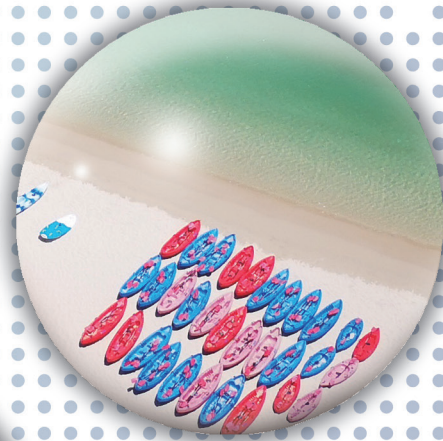




New Sports Group Limited 新體育集團有限公司

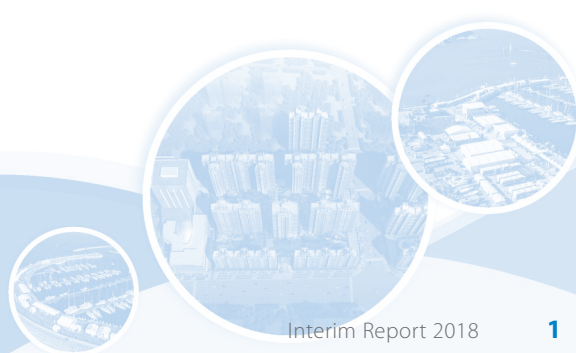
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 299)



INTERIM REPORT 2018

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Zhang Xiaodong (*Chairman & Chief Executive Officer*)
Xia Lingjie

Non-Executive Directors

Lau Wan Po
Wu Teng (*appointed on 24 August 2018*)

Independent Non-Executive Directors

Chen Zetong
He Suying
Tang Lai Wah

CHIEF FINANCIAL OFFICER

Fong Ching Kong

COMPANY SECRETARY

Fong Ching Kong

SOLICITORS

Baker & McKenzie
Li, Wong, Lam & W. I. Cheung

AUDIT COMMITTEE

Tang Lai Wah[#]
Chen Zetong
He Suying

DEVELOPMENT COMMITTEE

Zhang Xiaodong[#]
Xia Lingjie
Fong Ching Kong

INVESTMENT COMMITTEE

Zhang Xiaodong[#]
Xia Lingjie
Lau Wan Po

NOMINATION COMMITTEE

He Suying[#]
Chen Zetong
Tang Lai Wah

RISK MANAGEMENT COMMITTEE

Zhang Xiaodong[#]
Xia Lingjie
Lau Wan Po

[#] *Chairman*

SALARY REVIEW COMMITTEE

He Suying[#]
Zhang Xiaodong
Chen Zetong
Tang Lai Wah

AUTHORISED REPRESENTATIVES

Zhang Xiaodong
Fong Ching Kong

AUDITOR

RSM Hong Kong
Certified Public Accountants

PRINCIPAL BANKERS

Bank of East Asia Limited
Hong Kong and Shanghai Banking Corporation

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2602, 26/F
Lippo Centre, Tower 1
No. 89 Queensway
Admiralty
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

<http://www.newsportsgp.com>

STOCK CODE

299

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND MARKET OVERVIEW

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

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

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

Reforms bring opportunities. The forceful regulation of the real estate market in China will certainly bring about a reshuffle of market dynamics, and the phenomenon of “the strong becoming even stronger” will mark the beginning of the 2.0 era of the real estate industry in China. Under the impact of the regulation by national policies and changes in the market, only property development enterprises highly resilient to risks can maintain a foothold and at the same time take over the quality resources of losers at a low cost on an ongoing basis to reinforce their capabilities and become even stronger. Looking ahead, the volatile dynamics of the trade war between China and the United States may become a common scene for the second half year of 2018. Weaker overseas demand will put pressure on the economy of China, and monetary policy is likely to remain neutral. Stronger coordination between tight credit policy and loose monetary policy will bring market liquidity. It is expected that the market will progressively restore rationality with the longer short-term regulation cycle, more precise policy-making based on the unique circumstances of each municipality and more forceful regulation of

MANAGEMENT DISCUSSION AND ANALYSIS

the real estate sector. In the second half of the year, it is anticipated that the sale of commodity housing will be scaled down nationwide accordingly. Benefiting from the more balanced overall demand and supply, selling price will tend to level off and investment in new construction and development projects of commodity housing will continue to grow steadily.

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

BUSINESS REVIEW

Cultural Sports

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Property Investment and Development

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

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

In addition, during the period from 1 January 2018 to 30 June 2018 ("the Period"), the Group injected an amount of RMB200 million into Hunan Project Company and acquired 51% equity interest in the company from upon the completion of such capital contribution investment. Hunan Project Company is principally engaged in land development and operations. It also holds a total of 7 land parcels covering a total area of approximately 370,000 square meters located at Gaoqiao Village, Gaoqiao County, Yuhua District, Changsha*, the purposes of which are for commercial and residential uses, as well as other commodity residential properties. For details, please refer to the Company's announcement dated 26 April 2018.

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

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

Currently, the Group's various property development projects are in their preliminary stage of development. The urbanization in China has entered into a new era, i.e. a new economic growth pillar has been shaped centered on some second-tier and third-tier metropolitan cities. The Group believes that acquiring property projects in second-tier and third-tier cities will bring the Group tremendous revenue and serve as a constant driving force for stabilising cash flows and boosting consumer loyalty among the public. This, together with the inclusion of the Guangdong-Hong Kong-Macao Greater Bay Area into China's significant strategy and the future integrated development within the Shenzhen-Shanwei Special Cooperation Zone, will offer promising prospects for the

MANAGEMENT DISCUSSION AND ANALYSIS

property development and investment market in Guangdong Province of China. In the meantime, the Group foresees that substantial cash flows will be generated from sales proceeds when the said property development projects are harvested successively in the upcoming three years, forming a benign funds loop that can help the Group tap into the property investment and development market in an accelerated and smooth manner.

Securities Investment

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

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

OUTLOOK

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

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

REVIEW OF RESULTS AND OPERATIONS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

As at 30 June 2018, no impairment for goodwill and other intangible assets was incurred. As at 30 June 2017, substantial impairment for goodwill and other intangible assets of operation of software development in the PRC amounted to approximately HK\$75,263,000 and HK\$13,984,000 respectively based on valuation of fair value changes in relevant businesses.

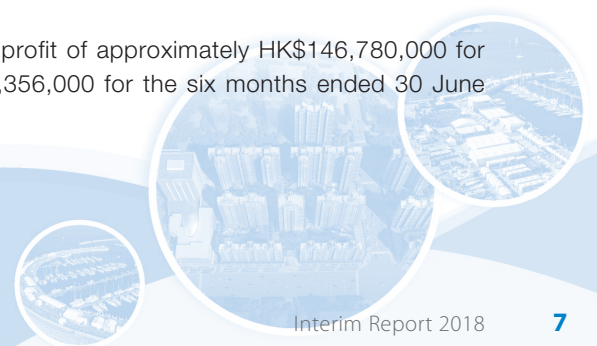
Besides, fair value loss of approximately HK\$6,992,000 (six months ended 30 June 2017: gain of approximately HK\$212,521,000) resulted from the adjustment on contingent consideration in relation to the acquisition of Yue Jin Asia Limited ("Yue Jin Asia") with reference to the projected financial performance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

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

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

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

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

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

CAPITAL EXPENDITURE

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

CHARGE OF ASSETS

As at 30 June 2018, properties for sale under development and investment properties with a carrying amount of approximately HK\$1,368,080,000 were pledged as security for bank loans in relation to the Group's real estate and property investment business. Properties for sale under development, properties, plant and equipment and investment properties with a carrying amount of approximately HK\$923,367,000 were pledged for provision of guarantees to several associated parties of a former equity holder of a subsidiary.

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

As at 31 December 2017, certain listed equity securities in Hong Kong with an aggregate carrying value of approximately HK\$124,200,000 were pledged to secure the relevant loans amounting to approximately HK\$75,380,000. The carrying amount of properties for sale under development and a share charge over the entire issued capital of a wholly-owned subsidiary of the Group were pledged as security for banking facilities granted to a subsidiary of the Group amounted to approximately HK\$1,221,773,000.

EMPLOYEE AND REMUNERATION POLICIES

The Group had 382 full time staff as at 30 June 2018 (31 December 2017: 241) in Hong Kong and the PRC. The Group reviews remuneration and benefits of its employees annually according to the relevant market practice and individual performance of the employees. Save for the social insurance in China and the mandatory provident fund scheme in Hong Kong, the Group has not set aside or accrued any significant funds to provide for retirement or similar benefits for its employees.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE AND CURRENCY RISKS

Most of the Group's revenue and expenses were generated from the PRC and were denominated in Renminbi. During the Period, the Group had not hedged its foreign exchange risk because the exposure was considered insignificant. Our management will continue to monitor our foreign exchange exposure and will consider hedging the foreign currency exposure when it is necessary.

SHARE CAPITAL

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

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

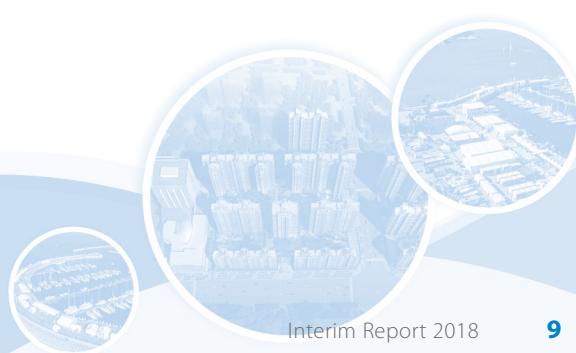
CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

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

** For identification purposes only*



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Note	Six months ended 30 June	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Continuing operations			
Revenue	4	891,924	27,502
Cost of sales		(871,512)	(61,544)
Gross profit/(loss)			
Distribution costs		(21,897)	(210)
Administrative expenses		(37,731)	(27,273)
Research and development expenses		(1,191)	(205)
Realised gain on contingent consideration receivable		—	229,384
Gain on disposal of subsidiaries		—	165,479
Gain on bargain purchase	22(b)	102,024	—
Fair value gain on investment properties		175,098	33,388
Fair value loss on derivative financial assets	15	(870)	(2,912)
Fair value gain on equity investments at fair value through profit or loss		—	30,698
Fair value (loss)/gain on contingent consideration payable	19	(6,992)	212,521
Impairment losses on goodwill	13	—	(75,263)
Impairment losses on other intangible assets	14	—	(13,984)
Impairment loss on other receivables		—	(284,458)
Other income, (losses)/gains	5	(6,289)	25,962
Profit from operations			
Finance costs	6	(39,744)	(29,235)
Profit before tax			
Income tax expense	7	(36,040)	(12,658)
Profit for the Period from continuing operations			
Discontinued operation			
Loss for the Period from discontinued operation		—	(9,836)
Profit for the Period			
Other comprehensive income:			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value changes of equity investments at fair value through other comprehensive income		(23,590)	—
		(23,590)	—

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Note	Six months ended 30 June	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
<i>Items that will be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		30,130	(11,758)
Exchange differences reclassified to profit or loss on disposal of subsidiaries		—	23,740
		30,130	11,982
Other comprehensive income for the Period, net of tax		6,540	11,982
Total comprehensive income for the Period		153,320	219,338
Profit for the Period attributable to:			
Owners of the Company		114,788	208,262
Non-controlling interests		31,992	(906)
		146,780	207,356
Total comprehensive income for the Period attributable to:			
Owners of the Company		123,290	220,303
Non-controlling interests		30,030	(965)
		153,320	219,338
Earnings per share			
From continuing and discontinued operations			(represented)
— Basic	10	HK3.586 cents	HK12.232 cents
— Diluted	10	HK3.586 cents	HK12.232 cents
From continuing operations			(represented)
— Basic	10	HK3.586 cents	HK12.810 cents
— Diluted	10	HK3.586 cents	HK12.810 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

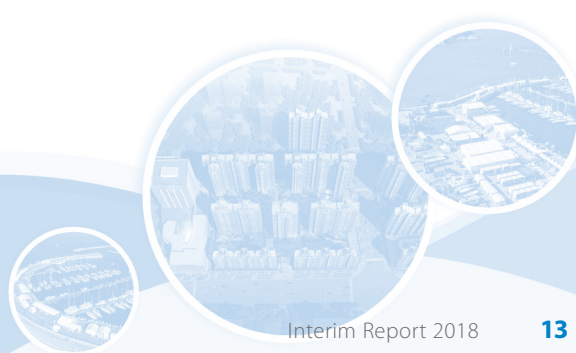
At 30 June 2018

	Note	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	79,117	63,230
Investment properties	12	1,291,429	724,333
Goodwill	13	204,262	187,486
Other intangible assets	14	797,431	832,821
Prepaid lease payments		112,341	—
Equity investments at fair value through other comprehensive income		356,308	—
Available-for-sale financial assets		—	13,222
Derivative financial assets	15	5,965	6,835
Deferred tax assets		69,685	33,242
		2,916,538	1,861,169
Current assets			
Inventories	16	5,046,059	2,306,317
Gross amount due from customers for contract works		586,543	648,822
Trade and other receivables	17	1,159,673	559,138
Equity investments at fair value through profit or loss		58,804	263,333
Bank and cash balances		1,002,426	327,249
		7,853,505	4,104,859
Current liabilities			
Borrowings		2,561,235	1,355,531
Corporate bonds		503,994	137,126
Trade and other payables	18	2,083,929	552,229
Consideration payable		—	901,500
Contingent consideration payable	19	100,992	—
Receipts in advance		517,065	47,144
Financial guarantees	20	61,463	—
Current tax liabilities		65,735	73,336
		5,894,413	3,066,866
Net current assets		1,959,092	1,037,993
Total assets less current liabilities		4,875,630	2,899,162

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Note	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Non-current liabilities			
Borrowings		307,032	—
Consideration payable		118,379	112,497
Contingent consideration payable	19	—	94,000
Financial guarantees	20	75,118	—
Deferred tax liabilities		491,505	312,707
		992,034	519,204
NET ASSETS			
		3,883,596	2,379,958
Capital and reserves			
Share capital	21	204,312	102,156
Reserves		2,695,854	1,657,306
Equity attributable to owners of the Company		2,900,166	1,759,462
Non-controlling interests		983,430	620,496
TOTAL EQUITY			
		3,883,596	2,379,958



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

Attributable to owners of the Company															
	Share capital	Share premium	Share redemption reserve	Capital reserve	Other reserve	General reserve fund	Convertible bonds reserve	Shareholder's contribution	Translation reserve	Share options reserve	Fair value through other comprehensive income reserve	Retained earnings	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2017															
At 1 January 2017 (audited)	85,130	1,919,761	2,269	10,657	5,078	27,827	25,127	4,118	(15,301)	18,274	–	(677,233)	1,405,707	31,305	1,437,012
Total comprehensive income for the Period (unaudited)	–	–	–	–	–	–	–	–	12,041	–	–	208,262	220,303	(965)	219,338
Redemption of convertible bonds (unaudited)	–	–	–	–	–	–	(25,127)	–	–	–	–	25,127	–	–	–
Disposal of subsidiaries (unaudited)	–	–	–	(10,657)	(5,078)	(27,827)	–	–	–	–	–	43,562	–	(30,340)	(30,340)
Changes in equity for the Period (unaudited)	–	–	–	(10,657)	(5,078)	(27,827)	(25,127)	–	12,041	–	–	276,951	220,303	(31,305)	188,998
At 30 June 2017 (unaudited)	85,130	1,919,761	2,269	–	–	–	–	4,118	(3,260)	18,274	–	(400,282)	1,626,010	–	1,626,010

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company														
	Share capital HK\$'000	Share premium HK\$'000	Share redemption reserve HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	General reserve fund HK\$'000	Convertible bonds reserve HK\$'000	Shareholder's contribution HK\$'000	Translation reserve HK\$'000	Share options reserve HK\$'000	Fair value through other comprehensive income reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
For the six months ended 30 June 2018															
At 1 January 2018 (audited)	102,156	2,090,022	2,289	-	-	-	-	4,118	63,227	-	-	(502,330)	1,759,462	620,496	2,379,958
Total comprehensive income for the Period (unaudited)	-	-	-	-	-	-	-	-	32,092	-	(23,590)	114,788	123,290	30,030	153,320
Acquisition of subsidiaries (unaudited)	-	-	-	-	-	-	-	-	-	-	-	-	-	332,904	332,904
Issue of shares on subscription (unaudited)	20,431	731,377	-	-	-	-	-	-	-	-	-	-	751,808	-	751,808
Issue of shares on placement (unaudited)	81,725	183,881	-	-	-	-	-	-	-	-	-	-	265,606	-	265,606
Changes in equity for the Period (unaudited)	102,156	915,258	-	-	-	-	-	-	32,092	-	(23,590)	114,788	1,140,704	362,934	1,503,638
At 30 June 2018 (unaudited)	204,312	3,005,280	2,289	-	-	-	-	4,118	95,319	-	(23,590)	(387,542)	2,900,166	983,430	3,883,596



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Note	Six months ended 30 June	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES		(744,713)	(62,997)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets at fair value through profit or loss		—	(183,138)
Dividend received from financial assets at fair value through profit or loss		—	6,207
Net cash inflow from disposal of subsidiaries		—	23,387
Refund of deposit paid for acquisitions of subsidiaries		—	155,680
Acquisition of subsidiaries		23,622	—
Purchases of property, plant and equipment		(912)	(8,145)
Purchases of investment properties		(87,970)	(58,978)
Purchase of equity investments at fair value through other comprehensive income		(355,596)	—
Purchase of equity investments at fair value through profit or loss		(49,998)	—
Proceeds from disposal of equity investments at fair value through profit or loss		235,983	—
Payment of consideration in relation to acquisition of subsidiaries		(901,500)	—
Payment for lease		(122,800)	—
Net cash used in investing activities		(1,259,171)	(64,987)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings raised		1,639,178	75,000
Proceeds from issue of corporate bonds		497,500	127,410
Proceeds from issue of shares on subscription		751,808	—
Proceeds from issue of shares on placement		265,606	—
Redemption of convertible bonds		—	(200,000)
Redemption of corporate bond		(137,126)	(95,000)
Repayment of borrowings		(517,452)	(15,000)
Net cash generated from/(used in) financing activities		2,499,514	(107,590)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		495,630	(235,574)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		327,249	473,499
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		179,547	5,287
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY		1,002,426	243,212
Bank and cash balances		1,002,426	243,212

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

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

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

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

Financial guarantee contract liabilities

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

- The amount of the obligations under the contracts, as determined in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and
- The amount initially recognised less cumulative amortisation recognised in profit or loss on a straight-line basis over the terms of the guarantee contracts.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The Group has initially adopted HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. As permitted by the transitional provisions of HKFRS 9, the Group was elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL"), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

(b) Measurement

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

At initial recognition, the Group measures a financial assets at its fair value plus, in the case of a financial assets not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVTOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as separate line item in the statement of profit or loss.
- **FVTPL:** Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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

HKFRS 9 Financial Instruments (Continued)

(b) Measurement (Continued)

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

(c) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The following table and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Financial assets	Note	Classification under HKAS 39	Classification under HKFRS 9	Carrying amount under HKAS 39 HK\$'000	Carrying amount under HKFRS 9 HK\$'000
Equity investments	(a)	Available-for-Sale	FVTOCI	13,222	13,222
Equity investments		FVTPL	FVTPL	270,168	270,168
Trade and other receivables	(b)	Loans and receivables	Amortised cost	522,567	522,567

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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

HKFRS 9 Financial Instruments (Continued)

(c) Impairment (Continued)

The impact of these changes on the Group's equity is as follows:

	Note	Effect on available- for-sale reserve HK\$'000	Effect on FVTOCI reserve HK\$'000	Effect on retained earnings HK\$'000
Opening balance — HKAS 39		13,222	—	—
Reclassify non-trading equity investments from available-for- sale to financial assets at FVTOCI	(a)	(13,222)	13,222	—
Total impact		—	13,222	—
Opening balance — HKFRS 9		—	13,222	—

- (a) These equity investments represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by HKFRS 9, the Group has designated these investments at the date of initial application as measured at FVTOCI. As a result, assets with a fair value of HK\$13,222,000 were reclassified from available-for-sale financial assets to financial assets at FVTOCI on 1 January 2018. Unlike HKAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.
- (b) Trade and other receivables that were classified as loans and receivables under HKAS 39 are now classified at amortised cost. No effect in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to HKFRS 9.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has adopted HKFRS 15 using the cumulative effect method with the effect of initially applying this standard recognised at the date of initial application. Accordingly, the information presented for 2017 has not been restated, i.e. it is presented, as previously reported, under HKAS 18, HKAS 11 and related interpretations.

The adoption of HKFRS 15 would not result in any changes to the Group's accounting policies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

3. FAIR VALUE MEASUREMENTS

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

3. FAIR VALUE MEASUREMENTS (Continued)

Disclosures of level in fair value hierarchy at:

Description	Fair value measurements using:			At 30 June 2018
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurements:				
Financial assets				
Equity investments at FVTOCI	335,040	—	21,268	356,308
Equity investments at FVTPL				
Listed securities	58,804	—	—	58,804
Derivative financial assets				
Put option	—	—	5,965	5,965
Investment properties				
Properties in the PRC	—	1,291,429	—	1,291,429
Total	393,844	1,291,429	27,233	1,712,506
Recurring fair value measurements:				
Financial liabilities				
Contingent consideration payable	—	—	100,992	100,992
Total	—	—	100,992	100,992

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

3. FAIR VALUE MEASUREMENTS (Continued)

Description	Fair value measurements using:			At
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	31 December 2017 Total HK\$'000
Recurring fair value measurements:				
Financial assets				
Financial assets at fair value through profit or loss				
Listed securities	263,333	—	—	263,333
Derivative financial assets				
Put option	—	—	6,835	6,835
Investment properties				
Properties in the PRC	—	—	127,919	127,919
Properties in the PRC	—	596,414	—	596,414
	—	596,414	127,919	724,333
Total	263,333	596,414	134,754	994,501
Recurring fair value measurements:				
Financial liabilities				
Contingent consideration payable	—	—	94,000	94,000
Total	—	—	94,000	94,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

3. FAIR VALUE MEASUREMENTS (Continued)

Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value as at
			30 June 2018
			HK\$'000
Investment properties	Market comparable approach	Market prices	1,291,429

Level 3 fair value measurements

Description	Valuation technique	Observable/ unobservable inputs	Effect on		Fair Value
			Range	fair value for increase of inputs	As at 30 June 2018 Assets/ (liabilities)
					HK\$'000
Equity investment at FVTOCI	Cost approach	Net assets value	10%	Increase	21,268
Put option	Income approach	The Company's share price	HK\$0.01	Decrease	5,965
		Profit forecast	10%	Increase	
Contingent consideration payable	Income approach	The Company's share price	HK\$0.01	Decrease	(100,992)
		Profit forecast	10%	Decrease	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

3. FAIR VALUE MEASUREMENTS (Continued)

Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements: (Continued)

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value as at
			31 December 2017 HK\$'000
Investment properties	Market comparable approach	Market prices of comparables	596,414

Level 3 fair value measurements

Description	Valuation technique	Observable/ unobservable inputs	Range	Effect on fair value for increase of inputs	Fair Value
					As at 31 December 2017 Assets/ (liabilities) HK\$'000
Investment properties	Income capitalisation approach	Capitalisation rate	6.5% - 7.5%	Decrease	127,919
		Market prices	HK\$14,012- HK\$15,517 square meter	Increase	
Put option	Income approach	The Company's share price	HK\$0.01	Increase	6,835
		Profit forecast	10%	Increase	
Contingent consideration payable	Income approach	The Company's share price	HK\$0.01	Decrease	(94,000)
		Profit forecast	10%	Decrease	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

3. FAIR VALUE MEASUREMENTS (Continued)

Reconciliation of assets/(liabilities) measured at fair value based on level 3

Description	2018				
	Assets			Liabilities	
	Equity investments at FVTOCI	Put option	Investment properties	Total	Contingent consideration payable
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	13,222	6,835	724,333	744,390	(94,000)
Total gains or losses recognised in profit or loss	–	(870)	175,098	174,228	(6,992)
In other comprehensive income	(3,143)	–	–	(3,143)	–
Acquisition of subsidiaries	11,612	–	342,136	353,748	–
Purchase	–	–	87,970	87,970	–
Transfer out of Level 3	–	–	(1,291,429)	(1,291,429)	–
Exchange difference	(423)	–	(38,108)	(38,531)	–
At 30 June	21,268	5,965	–	27,233	(100,992)

Description	2017				
	Assets			Liabilities	
	Contingent consideration receivable	Put option	Investment properties	Total	Contingent consideration payable
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	45,841	6,448	–	52,289	(255,199)
Total gains or losses recognised in profit or loss	–	(2,912)	33,388	30,476	212,521
Purchases	–	–	281,057	281,057	–
Transferred to other receivables	(45,841)	–	–	(45,841)	–
Exchange difference	–	–	2,214	2,214	–
At 30 June	–	3,536	316,659	320,195	(42,678)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

4. SEGMENT INFORMATION

The Group has five operating segments as follows:

- | | | |
|---|---|---|
| Real estates and property investment | – | property development and property investment in the PRC |
| Trading of commodities | – | trading of commodities in the PRC |
| Yacht club | – | operation of a yacht club |
| Education | – | provision of international education services |
| Provision of online game services and platform services | – | design, development and operation of the mobile and web games and platform services |

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

4. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

For the six months ended 30 June 2018

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the six months ended 30 June 2017 (unaudited)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

As at 30 June 2018

	Discontinued			Continuing						Total HK\$'000
	P2P financial intermediary services in the PRC HK\$'000	Software development in the PRC HK\$'000	Football club in the PRC HK\$'000	Provision of online game services in the PRC HK\$'000	Yacht club in the PRC HK\$'000	Education in the PRC HK\$'000	Real estates and property investment HK\$'000	Trading of commodities HK\$'000	Unallocated HK\$'000	
Segment assets	-	-	-	1,797	391,997	772,698	8,476,144	30	118,813	9,761,479
Unallocated assets										1,008,564
Consolidated total										10,770,043
Segment liabilities	-	-	-	62,517	139,662	158,828	5,492,382	711	120,128	5,974,228
Unallocated liabilities										912,219
Consolidated total										6,886,447

As at 31 December 2017

	Discontinued			Continuing						Total HK\$'000
	P2P financial intermediary services in the PRC HK\$'000	Software development in the PRC HK\$'000	Football club in the PRC HK\$'000	Provision of online game services in the PRC HK\$'000	Yacht club in the PRC HK\$'000	Education in the PRC HK\$'000	Real estates and property investment HK\$'000	Trading of commodities HK\$'000	Unallocated HK\$'000	
Segment assets	-	-	-	29,778	331,627	631,819	4,004,962	122	-	4,998,308
Unallocated assets										967,720
Consolidated total										5,966,028
Segment liabilities	-	-	-	74,998	76,701	155,008	2,083,435	46	-	2,390,188
Unallocated liabilities										1,195,882
Consolidated total										3,586,070

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

5. OTHER INCOME, (LOSSES)/GAINS

Continuing operations

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Interest income from bank balances	676	598
Interest income from loan receivables	20,504	4,927
Interest income from other receivables	—	9,168
Interest income from deposits paid for a potential acquisition of a subsidiary	—	6,398
Dividend income	1,136	6,207
Rental income	2,731	1,507
Net foreign exchange loss	(35,200)	(2,362)
Allowance for doubtful debts	—	(1,060)
Others	3,864	579
	(6,289)	25,962

6. FINANCE COSTS

Continuing operations

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Interest on bank borrowings	2,601	714
Interest on corporate bonds	11,421	3,066
Interest on other borrowings	123,896	389
Interest on convertible bonds	—	17,904
Imputed interest on consideration payable	7,698	7,162
	145,616	29,235
Amount capitalised	(105,872)	—
	39,744	29,235

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

7. INCOME TAX EXPENSE

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

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

(a) Corporate Income Tax

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

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

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

(b) PRC Land Appreciation Tax

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

8. PROFIT FOR THE PERIOD

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

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

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

9. DIVIDENDS

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

10. EARNINGS PER SHARE

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

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

The 2017 comparative figure was represented with effect of share consolidation to place on 21 December 2017.

From continuing and discontinued operations

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

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

From continuing operations

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

10. EARNINGS PER SHARE *(Continued)*

From discontinued operation

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

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

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK\$Nil (unaudited) (six months ended 30 June 2017: HK\$633,000 (unaudited)) for proceeds of HK\$Nil (unaudited) (six months ended 30 June 2017: HK\$Nil), resulting in a gain on disposal of HK\$Nil (unaudited) (six months ended 30 June 2017: gain of approximately HK\$Nil (unaudited)). In addition, during the six months ended 30 June 2018, the Group acquired property, plant and equipment of approximately HK\$11,835,000 (unaudited) (six months ended 30 June 2017: HK\$8,145,000 (unaudited)), of which HK\$10,923,000 was acquired through acquisition of subsidiaries.

At 30 June 2018, the carrying amount of property, plant and equipment amounting to HK\$68,756,000 is pledged for provision of financial guarantees to associated parties of a non-controlling interest holder of a subsidiary.

12. INVESTMENT PROPERTIES

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

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

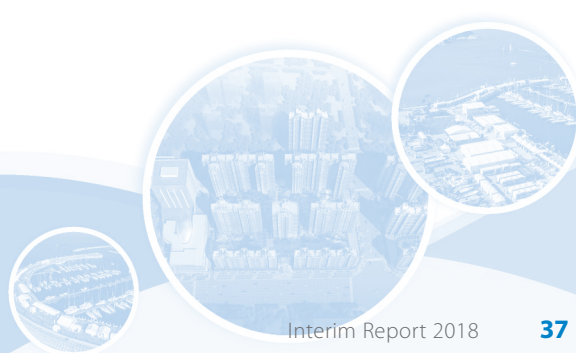
At 30 June 2018, the carrying amount of investment properties amounting to HK\$331,807,000 (2017: HK\$Nil) is pledged for provision of financial guarantees to associated parties of a non-controlling interest holder of a subsidiary.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

13. GOODWILL

	HK\$'000
Cost	
At 1 January 2017 (audited)	952,310
Derecognised on disposal of subsidiaries	(322,861)
Exchange differences	52,272
At 31 December 2017 and 1 January 2018 (audited)	681,721
Arising on acquisition of subsidiaries (note 22(c))	19,358
Exchange differences	(9,387)
At 30 June 2018 (unaudited)	691,692
Accumulated impairment	
At 1 January 2017 (audited)	702,396
Impairment loss recognised in current year	75,263
Derecognised on disposal of subsidiaries	(320,861)
Exchange differences	37,437
At 31 December 2017 and 1 January 2018 (audited)	494,235
Exchange differences	(6,805)
At 30 June 2018 (unaudited)	487,430
Carrying amount	
At 30 June 2018 (unaudited)	204,262
At 31 December 2017 (audited)	187,486



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

13. GOODWILL (Continued)

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

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

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

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

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

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

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

At 30 June 2018, before impairment testing, goodwill of HK\$70,292,000 and HK\$114,612,000 were allocated to Dapeng Yacht Club and Dapeng International Education within operation of a yacht club and provision of international education segment respectively. Based on their recoverable amounts as at 30 June 2018, no impairment loss has been recognised in profit or loss.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

14. OTHER INTANGIBLE ASSETS

During the six months ended 30 June 2018, the Group did not purchase and dispose of other intangible assets.

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

15. DERIVATIVE FINANCIAL ASSETS

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

On 28 December 2016, a subsidiary of the Company acquired the entire equity interests in Yue Jin Asia Limited ("Yue Jin Asia") 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 at share price of HK\$0.062 each ("Consideration Shares") and HK\$150,000,000 will be settled by the Company's shares at share price of HK\$0.062 each subject to adjustment ("Retained Shares"). Yue Jin Asia, 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.

The Retained Shares are subject to the following adjustments:

- (i) In the event that the 2018 Yacht Profit (as defined below) is less than HK\$60,000,000, the Retained Shares shall be reduced by such amount ("Consideration Adjustment") as determined in accordance with the following formula:

$$\text{Retained Shares} = \text{HK\$150,000,000} - 2018 \text{ Yacht Profit Shortfall} \times 9$$

Where,

$$2018 \text{ Yacht Profit Shortfall} = \text{HK\$60,000,000} - 2018 \text{ Yacht Profit};$$

2018 Yacht Profit = the net profit after tax generated from the Yacht Club Business for the financial year ending 31 December 2018 as referred to in the accounts thereof audited by the auditors of the Company, provided that if the Yacht Club Business records nil profit or a net loss for the financial year ending 31 December 2018, the 2018 Yacht Profit shall be deemed to be zero.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

15. DERIVATIVE FINANCIAL ASSETS (Continued)

- (ii) In the event that the 2018 School Profit (as defined below) is less than HK\$17,500,000, the Retained Shares shall be reduced by such amount as determined in accordance with the following formula:

$$\text{Retained Shares} = \text{HK\$150,000,000} - 2018 \text{ School Profit Shortfall} \times 16$$

Where,

$$2018 \text{ School Profit Shortfall} = \text{HK\$17,500,000} - 2018 \text{ School Profit};$$

2018 School Profit = the net profit after tax generated from the School Business for the financial year ending 31 December 2018 as referred to in the accounts thereof audited by the auditors of the Company, provided that if the School Business records nil profit or a net loss for the financial year ending 31 December 2018, the 2018 School Profit shall be deemed to be zero.

As a part of the consideration for the acquisition of Yue Jin Asia Limited (“Yue Jin Asia”) and its subsidiaries (collectively referred to as “Yue Jin Asia Group”), the Group shall have the option (the “Put Option”) to, at the Group’s discretion, sell the Option Shares (as defined below) to the seller of Yue Jin Asia at any time within 5 calendar years from 28 December 2016 upon the Shenzhen Dapeng New District Management Committee or any other relevant governmental authority enforcing its rights under the operation entrustment agreement for any breach of the operation entrustment agreement by any member of the Yue Jin Asia Group before 28 December 2016 at the Option Share Price (as defined below).

The consideration for the Option Shares (“Option Share Price”) shall be the higher of (i) the cash equivalent of the sum of (a) the amount paid in cash by the Group to the seller of Yue Jin Asia and (b) the value of all the consideration shares issued by the Company to the seller of Yue Jin Asia as at the date when the Put Option is exercised; or (ii) the fair market value of the Option Shares to be determined by an independent valuer as at the date when the Put Option is exercised.

Where:

Option Shares means all of the issued shares in the capital of Yue Jin Asia as at the completion date of the sale and purchase of the issued shares in the capital of Yue Jin Asia after exercise of the Put Option.

The Put Option was stated at fair value based on the valuation performed by Valtech Valuation Advisory Limited, an independent firm of professional valuer. The valuer conducted the valuation based on a profit forecast obtained from the Company (level 3 fair value measurements).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

16. INVENTORIES

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

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

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

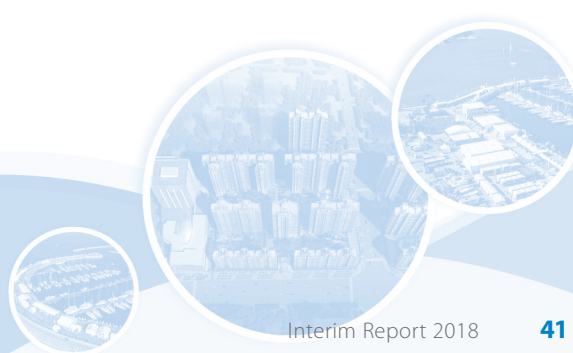
As at 30 June 2018, the carrying amount of properties for sale under development amounting to approximately HK\$177,837,000 (2017: HK\$Nil) are pledged for provision of financial guarantees to an associated party of a former equity holder of a subsidiary.

17. TRADE AND OTHER RECEIVABLES

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

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

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

17. TRADE AND OTHER RECEIVABLES (Continued)

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

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

18. TRADE AND OTHER PAYABLES

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

18. TRADE AND OTHER PAYABLES (Continued)

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

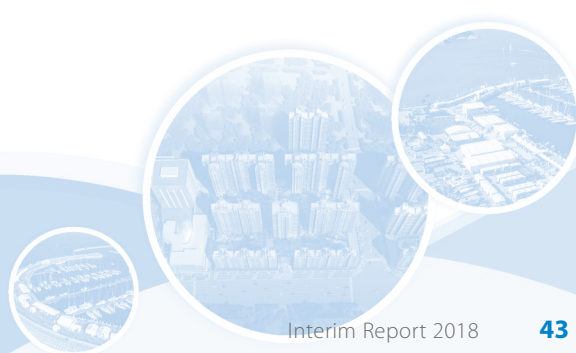
	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
0-30 days	404,336	207,029
31-60 days	303,047	—
61-90 days	15,210	—
91-180 days	346,020	157,849
181-360 days	23,536	—
Over 360 days	218,638	—
	1,310,787	364,878

19. CONTINGENT CONSIDERATION PAYABLE

As a part of the consideration for the acquisition of Yue Jin Asia, the Consideration Adjustment (as defined in Note 15 to the condensed consolidated financial statements) is obtained for which details are set out in Note 15 to the condensed consolidated financial statements.

The Consideration Adjustment shall be reduced to the retained shares in relation to the acquisition of Yue Jin Asia with reference to the financial performance of Yue Jin Asia for the year ending 31 December 2018 and hence constitute a contingent consideration arrangement.

As at 30 June 2018, the Consideration Adjustment was stated at fair value based on the valuation performed by Valtech Valuation Advisory 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).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

20. FINANCIAL GUARANTEES

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

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

21. SHARE CAPITAL

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

22. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of Weinan Baoneng Property Company Limited (“Weinan Baoneng”)

On 7 March 2018, a subsidiary of the Company acquired the 60% equity interests in Weinan Baoneng for a cash consideration of RMB1 (equivalent to approximately HK\$1) and an obligation to make capital contribution of RMB180 million (equivalent to approximately HK\$223,200,000) to Weinan Baoneng. Weinan Baoneng is principally engaged in real estate in the PRC. The acquisition aims to expand the business to real estate projects by the Company.

The fair value of the identifiable assets and liabilities of Weinan Baoneng acquired as at its date of acquisition is as follows:

	<i>HK\$'000</i>
Other receivables	120,000
Bank and cash balances	55
Other payables	(120,060)
Net identifiable assets and liabilities	(5)
Non-controlling interests	2
Loss on acquisition	3
Satisfied by cash	—
Net cash outflow arising on acquisition:	
Cash consideration paid	—
Cash and cash equivalents acquired	55
	55

The fair value of the other receivables acquired is HK\$120,000,000, none of which is expected to be uncollectible.

Weinan Baoneng contributed revenue and a profit of approximately HK\$Nil and HK\$Nil to the Group's revenue and profit respectively for the period between the date of acquisition and the end of the Period.

If the acquisition had been completed on 1 January 2018, total Group's turnover for the year would have been HK\$891,924,000, and profit for the year would have been HK\$146,479,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is intended to be a projection of future results.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

22. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Acquisition of Hunan Meilian Property Company Limited (“Hunan Meilian”)

On 26 April 2018, the Group entered into an investment agreement with the equityholders of Hunan Meilian (the “Investment Agreement”), pursuant to which the Group agreed to pay a lump of RMB200,000,000 (equivalent to approximately HK\$248,000,000) into Hunan Meilian as consideration to acquire 51% equity interest in Hunan Meilian. Hunan Meilian then had a registered capital of RMB80,000,000 and will increase its registered capital from RMB80,000,000 to RMB163,265,036 with the additional portion of RMB83,265,036 to be wholly contributed by the Group. Immediately after the completion, the Group will hold 51% equity interest in Hunan Meilian. Hunan Meilian is principally engaged in real estate in the PRC. The acquisition aims to expand the real estate business by the Group.

The fair value of the identifiable assets and liabilities of Hunan Meilian acquired as at its date of acquisition is as follows:

	HK\$'000
Property, plant and equipment	9,842
Equity investments at fair value through other comprehensive income	11,612
Current tax assets	47,612
Investment properties	342,136
Inventories	1,685,605
Trade and other receivables	197,239
Bank and cash balances	23,367
Trade and other payables	(771,904)
Receipts in advance	(704,294)
Borrowings	(122,235)
Financial guarantees	(104,392)
Deferred tax liabilities	(179,658)
Net identifiable assets and liabilities	434,930
Capital commitment as consideration	244,470
Non-controlling interests	(332,906)
Gain on bargain purchase	(102,024)
Satisfied by capital commitment in cash	244,470

Net cash outflow arising on acquisition:

Cash and cash equivalents acquired	23,367
------------------------------------	--------

Gain on bargain purchase of HK\$102,024,000 was recognised upon completion of the acquisition of Hunan Meilian. The gain on bargain purchase was mainly due to increase in fair value of the real estate projects based on which the consideration was determined in relation to the acquisition.

The fair value of trade and other receivables acquired is HK\$197,239,000, none of which is expected to be uncollectible.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

22. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Acquisition of Hunan Meilian Property Company Limited (“Hunan Meilian”) (Continued)

Hunan Meilian contributed revenue and a loss of approximately HK\$567,632,000 and HK\$9,232,000 to the Group’s revenue and profit respectively for the period between the date of acquisition and the end of the Period.

If the acquisition had been completed on 1 January 2018, total Group’s revenue for the year would have been HK\$891,924,000, and profit for the year would have been HK\$138,138,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is intended to be a projection of future results.

(c) Acquisition of Yunfu Baoneng

On 27 June 2018, a subsidiary of the Company acquired the entire equity interests in Yunfu Baoneng for a cash consideration of RMB30,000,000 (equivalent to approximately HK\$35,364,000). Yunfu Baoneng is principally engaged in real estate in the PRC. The acquisition aims to expand the business to real estate projects by the Company.

The fair value of the identifiable assets and liabilities of Yunfu Baoneng acquired as at its date of acquisition is as follows:

	<i>HK\$’000</i>
Property, plant and equipment	702
Inventories	327,540
Other receivables	751
Bank and cash balances	200
Trade and other payables	(3,629)
Borrowings	(269,030)
Financial guarantees	(35,340)
Deferred tax liabilities	(4,988)
Net identifiable assets and liabilities	16,206
Goodwill arising on acquisition	19,358
Satisfied by cash payable	35,564
Net cash outflow arising on acquisition:	
Cash and cash equivalents acquired	200

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

22. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Acquisition of Yunfu Baoneng (Continued)

The consideration of RMB30,000,000 (equivalent to approximately HK\$35,564,000) has been recognised as a liability included in other payables at 30 June 2018.

The fair value of other receivables acquired is HK\$751,000, none of which is expected to be uncollectible.

Yunfu Baoneng contributed revenue and a profit of approximately HK\$Nil and HK\$Nil to the Group's revenue and profit respectively for the period between the date of acquisition and the end of the Period.

If the acquisition had been completed on 1 January 2018, total Group's turnover for the year would have been HK\$891,924,000, and profit for the year would have been HK\$146,477,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is intended to be a projection of future results.

The goodwill arising on the acquisition of Yunfu Baoneng is attributable to the anticipated profitability of the relevant property project and the anticipated future operating synergies from the combination.

23. CAPITAL COMMITMENTS

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

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Contracted but not provided for Property, plant and equipment	—	5,198
Inventories	2,582,971	3,195,951

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

24. OPERATING LEASE COMMITMENTS

The Group as lessee:

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

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Within one year	5,750	4,383
In the second to fifth year inclusive	8,211	8,733
	13,961	13,116

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

The Group as lessor:

At the end of the Period, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Within one year	2,666	1,982
In the second to fifth year inclusive	16,472	7,791
After five years	—	9,843
	19,138	19,616

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

25. RELATED PARTY TRANSACTIONS

Saved as those related party transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had no related party transactions during the Period.

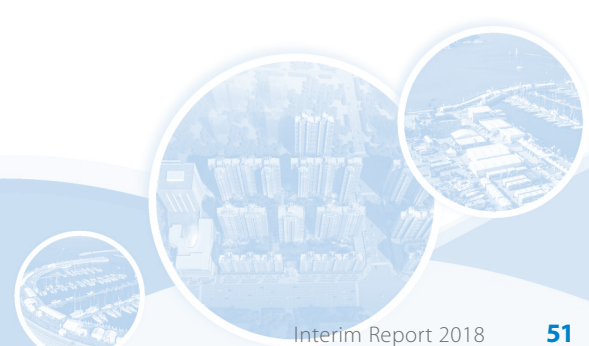
Compensation of key management personnel

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

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Salaries and other benefits	1,628	1,576
Retirement benefits scheme contributions	26	63
	1,654	1,639

26. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 24 August 2018.



OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Interests and short positions in Shares and underlying Shares

Name of Director	Capacity in which interests in Shares are held	Number of Shares held	Equity derivatives (Share Options)	Total number of Shares held	Approximate percentage of issued share capital of the Company²	Note
Zhang Xiaodong	Corporate Interest Beneficial Owner	137,500,000 (L) 675,000 (L)	— —	138,175,000 (L)	3.38%	1

Notes:

- Amuse Peace Limited ("Amuse Peace") held 137,500,000 Shares. Amuse Peace is a company wholly and beneficially owned by Mr. Zhang Xiaodong, the Chairman, Chief Executive Officer and an Executive Director of the Company. Mr. Zhang Xiaodong is deemed to be interested in the 137,500,000 Shares owned by Amuse Peace for the purpose of SFO.
- As at 30 June 2018, the total issued share capital of the Company amounted to 4,086,256,212 Shares.

Abbreviations:

"L" stands for long position

Save as disclosed above, as at 30 June 2018, none of the Directors nor the chief executives of the Company or their respective associates had or was deemed to have any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

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

As at 30 June 2018, so far as is known to the Directors, the following, not being a Director or the chief executives of the Company, have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of the SFO:

Long Positions in the Shares and underlying Shares

Name of Shareholders	Capacity in which Interests in Shares are held	Number of Shares held	Approximate percentage of issued capital of the Company ⁶	Notes
China Goldjoy Securities Limited	Custodian Beneficial Owner	1,352,031,089 (L) 21,129,048 (L)	33.60%	1, 2
Ai Qing	Corporate Interest Beneficial Owner	1,074,871,289 (L) 69,280,450 (L)	28.00%	1, 3
Boot Gain Investments Limited	Beneficial Owner	1,074,871,289 (L)	26.30%	1, 3
Wu Teng	Corporate Interest	749,146,972 (L)	18.33%	1, 4
Tengyue Limited	Beneficial Owner	749,146,972 (L)	18.33%	1, 4
Zheng Kanghao	Corporate Interest	392,000,000 (L)	9.59%	1, 5
Origin Development Limited	Beneficial Owner	392,000,000 (L)	9.59%	1, 5

Notes:

- Pursuant to section 336 of the SFO, the shareholders of the Company (the "Shareholders") are required to file disclosure of interests forms (the "DI Forms") when certain criteria are fulfilled and the full details of the requirements are available on the Stock Exchange's official website. When a Shareholder's shareholdings in the Company changes, it is not necessary to notify the Company and the Stock Exchange unless certain criteria are fulfilled. Therefore, substantial Shareholders' latest shareholdings in the Company may be different to the shareholdings filed with the Company and the Stock Exchange. The above statements of substantial Shareholders' interests are prepared based on the information in the relevant DI Forms received by the Company. The Company may not have sufficient information on the breakdown of the relevant interests and cannot verify the accuracy of information on the DI Forms. Therefore, some substantial Shareholders' interests in Shares or short positions may not have breakdown in their relevant interests.
- China Goldjoy Securities Limited is deemed to be interested in 1,352,031,089 Shares as the custodian of its clients and is beneficially interested in 21,129,048 Shares per the DI form filed on 15 June 2018.
- Boot Gain Investments Limited is a company wholly-owned by Ms. Ai Qing. Accordingly, Ms. Ai Qing is deemed to be interested in 1,074,871,289 Shares owned by Boot Gain Investments Limited by virtue of SFO. Therefore, Ms. Ai Qing is interested in an aggregate of 1,144,151,739 Shares.
- Tengyue Limited is a company wholly-owned by Mr. Wu Teng. Accordingly Mr. Wu Teng is deemed to be interested in 749,146,972 Shares owned by Tengyue Limited by virtue of SFO. Mr. Wu Teng was appointed as a non-executive Director on 24 August 2018.
- Origin Development Limited is a company wholly-owned by Mr. Zheng Kanghao. Accordingly, Mr. Zheng Kanghao is deemed to be interested in 392,000,000 Shares owned by Origin Development Limited by virtue of SFO.
- As at 30 June 2018, the total issued share capital of the Company amounted to 4,086,256,212 Shares.

Abbreviations:

"L" stands for long position

Save as disclosed above, as at 30 June 2018, the Directors and the chief executives of the Company were not aware of any person who has an interest or short position in the Shares, or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was recorded in the register kept by the Company under section 336 of the SFO.

OTHER INFORMATION

SHARE OPTION SCHEME

2014 Share Option Scheme

On 26 March 2014, the Company adopted a new share option scheme (the “2014 Share Option Scheme”) and the major terms of the 2014 Share Option Scheme were summarized as follows:

(a) Purpose of the 2014 Share Option Scheme

The purpose of the 2014 Share Option Scheme was (i) to attract and retain the best quality personnel for the development of the Company’s businesses; (ii) to provide additional incentives to employees, consultants, agents, representatives, advisers, suppliers of goods or services, customers, contractors, business allies and joint venture partners; and (iii) to promote the long term financial success of the Company by aligning the interests of option holders to Shareholders.

(b) Participants of the 2014 Share Option Scheme

Pursuant to the 2014 Share Option Scheme, the Company may at its absolute discretion grant options to any employee, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or its subsidiaries (including any director, whether executive or non-executive and whether independent or not, of the Company or its subsidiaries) who is in full-time or part-time employment with the Company or its subsidiaries at the time when an option is granted to such employee, or any person who, in the sole discretion of the Board, have contributed or may contribute to the Group.

(c) Total number of Shares available for issue under the 2014 Share Option Scheme

The total number of Shares may be granted under the 2014 Share Option Scheme is 24,691,756 Shares after adjustments for share subdivision in 2015 and share consolidation in 2017, which represents 0.6% of the total number of Shares in issue at the date of this report.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2014 Share Option Scheme and any other schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time.

(d) Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of Shares in issue, unless approved by the Shareholders in the manner as stipulated in the 2014 Share Option Scheme.

(e) Time of exercise of options

An option may be exercised in accordance with the terms of the 2014 Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which may commence on the date on which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination thereof. No minimum period for which the option must be held before it can be exercised is specified in the 2014 Share Option Scheme.

OTHER INFORMATION

(f) The subscription price per Share

The subscription price per Share in respect of an option granted under the 2014 Share Option Scheme is such price as determined by the Board at the time of the grant of the options, but in any case the subscription price shall not be lower than the higher of:

- the closing price of the Share as stated in the daily quotation sheets issued by the Stock Exchange on the date on which the options are offered, which must be a business day;
- the price being the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date on which the options are offered; and
- the nominal value of a Share on the date on which the options are offered.

(g) Payment on acceptance of option

A non-refundable sum of HK\$10 or other amount as determined by the Board by way of consideration for the grant of an option is required to be paid by each of the grantee upon acceptance of the granted option.

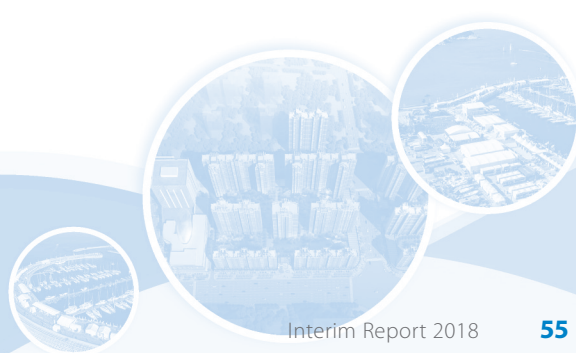
(h) Duration of the 2014 Share Option Scheme

The 2014 Share Option Scheme will remain in force for a period of 10 years from its adoption date (i.e. 26 March 2014). The 2014 Share Option Scheme will terminate or expire (as the case may be) on the earlier of (i) the approval of the Shareholders in a general meeting, and (ii) at the close of business on the day immediately preceding the tenth anniversary of the adoption date (the "Scheme Period").

After the Scheme Period, the Company cannot grant new options but for so long as there are options granted but not yet exercised, outstanding vested or unvested options, the 2014 Share Option Scheme will remain in full force and effect of such outstanding vested or unvested options or otherwise as may be required in accordance with the 2014 Share Option Scheme. As at the date of this report, a total of 31,100,000 share options (after adjustments for share subdivision in 2015 and share consolidation in 2017) had been granted by the Company under the 2014 Share Option Scheme. The number of outstanding share options as at 30 June 2018 is nil.

INTERIM DIVIDEND

The Directors do not recommend payment of any interim dividend for the six months ended 30 June 2018 (as at 30 June 2017: Nil).



OTHER INFORMATION

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 executives of the Company or any of their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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 Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors as to whether they have complied with the required standard set out in the Model Code and the Code of Conduct during the six months ended 30 June 2018.

All the Directors have confirmed that they have complied with the required standards set out in the Model Code and the Code of Conduct throughout the six months ended 30 June 2018.

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 2018 which sets out (a) code provisions (which are expected to comply with); and (b) recommended best practices (which are for guidance only) in Appendix 14 of the Listing Rules. The Company has applied and complied with the applicable code provisions and some of the recommended best practices except for one deviation of code provisions as stated in the subject headed "Compliance with CG Code" below.

Risk Management and Internal Control

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

Compliance with CG Code

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

OTHER INFORMATION

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

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

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

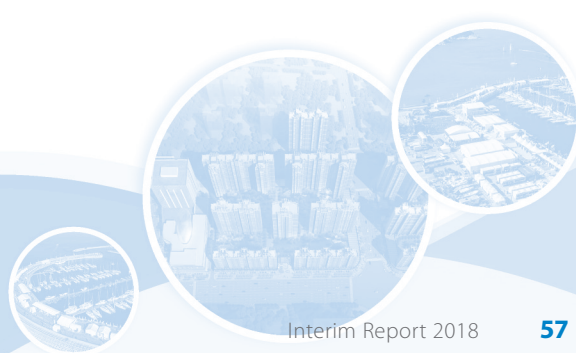
CHANGE OF DIRECTORS’ INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the Company’s last published Annual Report are set out as below:

Name of Director	Details of Changes
Mr. Wu Teng	— appointed as the non-executive director of the Company with the effect from 24 August 2018
Mr. Lau Wan Po	<ul style="list-style-type: none"> <li data-bbox="542 1164 1447 1272">— appointed as the vice chairman and a non-executive director of China Goldjoy Group Limited (stock code: 1282), a company listed on the Stock Exchange, with effect from 3 July 2018. <li data-bbox="542 1293 1447 1440">— re-designated from an executive director to a non-executive director and ceased to be the vice chairman of the Huabang Financial Holdings Limited (stock code: 3638), a company listed on the Stock Exchange, with effect from 29 June 2018.

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.



OTHER INFORMATION

AUDIT COMMITTEE

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

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

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

Hong Kong, 24 August 2018