2016 Annual Report

新體育集團有限公司
New Sports Group Limited

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Zhang Xiaodong
(Chairman & Chief Executive Officer)
Xia Lingjie (re-designated on 17 August 2016)

Non-Executive Director

Lau Wan Po (re-designated on 18 November 2016)

Independent Non-Executive Directors

Chen Zetong
He Suying
Tang Lai Wah
Chui Man Lung, Everett (resigned on 20 January 2017)

CHIEF FINANCIAL OFFICER

Fong Ching Kong (appointed on 20 January 2017)
Wong Yu King (resigned on 20 January 2017)

COMPANY SECRETARY

Fong Ching Kong (appointed on 1 April 2017)
Foo Man Yee, Carina (resigned on 1 April 2017)

SOLICITOR

Baker & McKenzie

AUDIT COMMITTEE

Tang Lai Wah* (appointed as Chairman on 20 January 2017)
Chen Zetong
He Suying
Chui Man Lung, Everett (resigned on 20 January 2017)

NOMINATION COMMITTEE

He Suying*
Chen Zetong
Tang Lai Wah
Chui Man Lung, Everett (resigned on 20 January 2017)

INVESTMENT COMMITTEE

Zhang Xiaodong*
Lau Wan Po
Xia Lingjie

RISK MANAGEMENT COMMITTEE

Zhang Xiaodong*
Lau Wan Po
Xia Lingjie

SALARY REVIEW COMMITTEE

He Suying*
Zhang Xiaodong
Chen Zetong
Tang Lai Wah
Chui Man Lung, Everett (resigned on 20 January 2017)

AUTHORISED REPRESENTATIVES

Zhang Xiaodong
Fong Ching Kong (appointed on 1 April 2017)
Foo Man Yee, Carina (resigned on 1 April 2017)

AUDITOR

RSM Hong Kong
Certified Public Accountants

PRINCIPAL BANKERS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

* Chairman

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

http://www.newsportsgp.com

REGISTERED OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

299

FIVE-YEAR FINANCIAL SUMMARY

For the year ended 31 December

CONSOLIDATED RESULTS

	Year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONTINUING OPERATIONS					
TURNOVER	**155,207**	502,980	582,892	481,115	589,806
LOSS)/PROFIT BEFORE TAX	**(769,653)**	(51,093)	(45,989)	(81,189)	15,675
INCOME TAX EXPENSE	**(2,950)**	(15,228)	(10,921)	(2,886)	(21,563)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(772,603)**	(66,321)	(56,910)	(84,075)	(5,888)
DISCONTINUED OPERATION					
LOSS FOR THE YEAR FROM DISCONTINUED OPERATION	**(147,568)**	–	–	–	–
LOSS FOR THE YEAR	**(920,171)**	(66,321)	(56,910)	(84,075)	(5,888)
LOSS ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	**(861,582)**	(76,401)	(56,799)	(83,518)	(6,663)
NON-CONTROLLING INTERESTS	**(58,589)**	10,080	(111)	(557)	775
	(920,171)	(66,321)	(56,910)	(84,075)	(5,888)
LOSS PER SHARE					
FROM CONTINUING AND DISCONTINUED OPERATIONS					
Basic (cents)	**(5.63)**	(0.58)	(0.50)	(0.75)	(0.06)
FROM CONTINUING OPERATIONS					
Basic (cents)	**(4.66)**	(0.58)	(0.50)	(0.75)	(0.06)

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**2,398,312**	1,603,257	799,406	699,758	863,908
TOTAL LIABILITIES	**(961,300)**	(589,707)	(155,942)	(134,886)	(152,124)
	1,437,012	1,013,550	643,464	564,872	711,784
EQUITY ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	**1,405,707**	943,598	637,364	560,909	707,402
NON-CONTROLLING INTERESTS	**31,305**	69,952	6,100	3,963	4,382
	1,437,012	1,013,550	643,464	564,872	711,784

INDUSTRY AND MARKET OVERVIEW

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

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

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

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

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

P2P Financial Intermediary Services

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

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

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

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

Internet Sports and Mobile Web-based Gaming Business

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

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

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

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

Football Business

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

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

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

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

New Sports Marine Sport Centre and New Sports Marine Training Centre

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

CHAIRMAN'S STATEMENT

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

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

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

PROSPECTS

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

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

CHAIRMAN'S STATEMENT

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

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

Hong Kong, 24 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS AND OPERATIONS

The Group's consolidated turnover for the year ended 31 December 2016 was approximately HK$155,207,000, decreased by HK$347,773,000 or 69% when compared to approximately HK$502,980,000 for 2015. The decrease was mainly attributable to the operation of software development in Japan market was downsizing since late 2015, which accounted for 78% of total turnover for 2015.

With higher gross profit margin generated from the online games business newly acquired on late 2015, the Group's gross profit margin increased from approximately 14.6% for 2015 to approximately 29.7% for the year. However, the Group recorded a gross profit of approximately HK$46,139,000 for the year ended 31 December 2016, representing a decrease of 37% when compared to approximately HK$73,311,000 for 2015.The gross profit of the provision of online game services was approximately HK$68,748,000, which was mainly contributed by the online game operation. The outsourcing software development business recorded a gross profit of approximately HK$528,000 for 2016, representing a significant decrease of HK$26,839,000 when compared to that for 2015. The significant decrease in gross profit was mainly due to the operation of software development in Japan market was downsizing and the operation of football club contribute a gross loss of HK$22,830,000 for 2016.

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

SHARE CAPITAL

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

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

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

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

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

FUNDING PURPOSE

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

SHARE OPTIONS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at 31 December 2016, other borrowings of HK$15,000,000 are secured by a share charge over the entire issued capital of a wholly-owned subsidiary.

EMPLOYEE AND REMUNERATION POLICIES

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

FOREIGN EXCHANGE AND CURRENCY RISKS

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

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

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

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Zhang Xiaodong

Mr. Zhang Xiaodong ("Mr. Zhang"), aged 43, was appointed as an executive Director of the Company, the chairman of the Board and the chief executive officer of the Group on 1 April 2016. He also holds directorship in certain subsidiaries of the Company. He has over 20 years' experience in strategic investment, corporate finance, budgeting analysis and capital management.

He is a shareholder of Shenzhen Super Energy Technology Co., Ltd. (formerly known as Shenzhen Super Energy International Supply Chain Management Co., Ltd. prior to transformation into a joint stock company) and a non executive director of Shenzhen Super Energy Technology Co., Ltd. He held various positions with a wide range of sizeable companies. In particular, from September 2009 to December 2013, he acted as a vice president of Shenzhen Baoneng Investment Group Co., Ltd. and a general manager of Baoneng Commercial Co., Ltd.

From May 2005 to August 2009, he was a vice general manager of Shenzhen Galaxy Real Estate Development Co., Ltd; and from April 1998 to April 2005 he was an assistant to chairman of the board of directors of Shenzhen Meidi Real Estate Development Limited. He graduated from the Department of Industrial Economics, Shanxi Institute of Finance and Economics with a bachelor's degree in 1993.

Xia Lingjie

Ms. Xia Lingjie ("Ms. Xia"), aged 29, joined the Company as a non-executive director since 1 April 2016, she was re-designated as an executive director of the Company on 17 August 2016. Ms. Xia was appointed as deputy managing director of Shenzhen Baoxin Football Club Co., Ltd.* （深圳寶新足球俱樂部有限公司）, a non-wholly owned subsidiary of the Company on 17 August 2016. She also holds directorship in certain subsidiaries of the Company.

Ms. Xia received a bachelor's degree in broadcasting, television and news from Wuhan University and a bachelor's degree in psychology from Central China Normal University. She graduated from Wuhan University with a master's degree in communication in 2011 and earned a master's degree in Global Journalism from University of Sheffield, UK in 2012. She was an assistant to general manager and deputy general manager of Shenzhen Wangdian Media Co., Ltd. from January 2014 to June 2016. From 2013 to 2014, she was a director of business operation of Shenzhen Guosheng Culture and Media Co., Ltd.

Ms. Xia is a veteran in the culture and media industry and corporate operation and management, and is especially experienced in the aspects of brand communication, investor relations management, and formulation and execution of corporate strategies.

Lau Wan Po

Mr. Lau Wan Po ("Mr. Lau"), aged 41, joined the Company as an executive director since 1 April, 2016, he was re-designated as an non-executive director of the Company on 18 November 2016. He has over 16 years of experience in the investment banking industry focusing in the areas of initial public offering, merger and acquisition, corporate restructuring and other financial advisory services to listed companies in Hong Kong.

Mr. Lau has been the chairman of Qian Hai Securities Limited since December 2015. He has been the non-executive director and vice chairman of Goldenmars Technology Holdings Limited since 26 January 2017. He acted as the managing director of Haitong International Capital Limited and Hai Tong Capital (HK) Limited from January 2010 to November 2015. He was an executive director and head of investment banking division of CMB International Capital Holdings Corporation Limited from August 2008 to January 2010. He graduated from the City University of Hong Kong with a bachelor's degree in science and earned a master's degree in finance from Curtin University of Technology.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Chen Zetong

Mr. Chen Zetong ("Mr Chen"), aged 46, was appointed as an independent non-executive Director of the Company on 30 May 2016. He has extensive experience in areas including civil and commercial litigation and arbitration and dispute resolution, investment and financing as well as other legal affairs of business organization. He had previously served as a judge in the People's Republic of China in the commercial area for 16 years.

Mr. Chen is a practising Chinese lawyer. Since September 2012, he has been a senior partner of JunZeJun Law Offices in Beijing, mainly specializing in providing legal services for dispute resolutions, mergers and acquisitions and non-performing assets disposal. Since April 2016, he has been a Director of China Practice of Nixon Peabody CWL in Hong Kong, specializing in Chinese Law. From May 2010 to September 2012, he was a partner of King & Wood Mallesons in Beijing. He has substantial experience in commercial arbitration and is currently an arbitrator of the South China International Economic and Trade Arbitration Commission and the Shenzhen Arbitration Commission. From 1994 to 2010, he served successively as a secretary, an assistant judge, a judge, a chief judge and a vice president of the Shenzhen Intermediate People's Court, responsible for commercial adjudication. He is currently an independent director of Hubei Sanxia New Building Material Co., Ltd., Fude Insurance Holdings Co., Ltd., Fude Sino Life Insurance Co., Ltd. and Sino Life Asset Management Co., Ltd.

Mr. Chen graduated from Southwest University of Political Science and Law in 1994 with a bachelor's degree in law. In 2003, he was awarded a master's degree in law (common law) from the University of Hong Kong, and in 2002 and 2008, a master's degree in Law and a doctoral degree in law (civil and commercial law) from the Jilin University, respectively.

He Suying

Ms. He Suying ("Ms. He"), aged 51, was appointed as an independent non-executive Director of the Company on 30 May 2016. She obtained a bachelor's degree in economics from the Jiangxi University of Finance and Economics, majoring in infrastructure finance and credit, and a master's degree in economics from the investment and economics department of Dongbei University of Finance and Economics, majoring in investment and economical management. She possesses extensive experience in areas including internal audit, corporate financial analysis, management, investment decision-making and business consolidation.

Ms. He has ten years of experience in corporate internal audit. Since May 2006, Ms. He has been working at Shenzhen Capall Asset Management Co., Ltd. as an executive director of the company. She had been a director and a chief financial officer of the company. She concurrently serves as an independent director of Dasheng Times Cultural Investment Co. Ltd. (formerly known as Baocheng Investment Co., Ltd.), Shenzhen Salubris Pharmaceuticals Co., Ltd., Guangdong Evergreen Feed Industry Co., Ltd. and Leadshine Technology Co., Ltd. in Shenzhen. From September 2007 to September 2013, she was an independent director of MYS Group Co., Ltd. From August 2003 to December 2008, she served as a director of Shenzhen Seg. Dasheng Co., Ltd. (now renamed as Shenzhen Quanxinhao Co., Ltd.).

Ms. He had previously served as a supervisor and an officer-in-charge of the auditing department of Weishen Securities Co., Ltd., a section chief of the auditing department of Shenzhen Branch, Guangdong Development Bank and a lecturer of the investment and finance department of Jiangxi University of Finance and Economics.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Tang Lai Wah

Dr. Tang Lai Wah ("Dr. Tang"), aged 59, was appointed as an independent non-executive Director of the Company on 30 May 2016. She is a fellow member of the Association of Chartered Certified Accountants ("ACCA"), the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Directors and a member of the Hong Kong Independent Non-Executive Director Association. She has obtained the Certificate in Digital Computer Programming from the University of Hong Kong and the Diploma of Accredited Jewelry Professional from the Gemological Institute of America. Dr. Tang holds a degree of Bachelor of Arts with honors in Accountancy, degree of Master of Business Administration (Executive) and degree of Doctor of Business Administration from the City University of Hong Kong.

Dr. Tang has over 30 years of accounting, corporate finance and financial management experience in telecommunication, media and information technology industries. Dr. Tang has been the chief financial officer and company secretary of Excel Technology International (Hong Kong) Limited ("Excel Technology") since 2002. She was the chief financial officer and company secretary of Hong Kong Jewellery Holding Limited (Formerly known as Excel Technology International Holdings Limited) (Stock Code 8048) from December 2002 to August 2014. Prior to joining Excel Technology, she was group financial controller in companies listed on the Main Board of the Hong Kong Stock Exchange, including Star Telecom International Holdings Limited and South China Media Group. Dr. Tang has extensive experience in the merger and acquisition activities, the initial public offering on Main Board of the Hong Kong Stock Exchange, overseeing corporate governance and monitoring corporate compliance of the Listing Rules and regulations.

Dr. Tang is appointed as a specialist and financial expert by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications. She is elected as committee member, chairman of student affairs sub-committee and convener of members' journal & communication task force of ACCA Hong Kong. She is also appointed as a member of departmental advisory committee for the Department of Accountancy, City University of Hong Kong.

Chui Man Lung Everett**

Mr. Chui Man Lung Everett ("Mr. Chui"), aged 52, was appointed as an independent non-executive Director of the Company on 10 September 2013. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and member of the Institute of Chartered Accountants in England and Wales. Mr. Chui qualified as a Professional Accountant with KPMG, Hong Kong in 1990 and left KPMG in 1993. Before his departure, he was in charge of audits of banks, fashion retailers and manufacturers listed on the Main Board of the Stock Exchange and initial public offering ("IPO") audit for a major national corporation, and also participated in the restructuring of two banking groups. Since then, Mr. Chui has been working on various IPOs and pre-IPO projects for various industries in China and Hong Kong before joining as the chief financial officer and company secretary of Yau Lee Holdings Limited (a company listed on the Main Board of the Stock Exchange).

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Since 2008, Mr. Chui has been a founding partner of Cen-1 Partners Limited, a firm which provides professional advisory services on company restructuring, merger & acquisition, pre-IPO and fund raising exercises to its clients. Its portfolio of clients includes listed companies and private companies operating in China, Hong Kong, South East Asia and Europe. Mr. Chui was an independent non-executive director of Cosmopolitan International Holdings Limited (a company listed on the Main Board of the Stock Exchange) from 2002 to 2003, an independent non-executive director and chairman of the audit committee of Duoyuan Printing, Inc. (a company listed on the New York Stock Exchange) from October 2010 to March 2013, an independent non-executive director and chairman of the audit committee of Mingyuan Medicare Development Company Limited (a company listed on the Main Board of Stock Exchange) from 2015 to 2016 and is currently an independent non-executive director and chairman of the audit committee and nomination committee and member of the remuneration committee of Taung Gold International Limited (a company listed on the Main Board of the Stock Exchange), an independent non-executive director, chairman of the audit committee, remuneration committee and nomination committee of China Ocean Fishing Holdings Limited (formerly known as "Sky Forever Supply Chain Management Group Limited") (a company listed on GEM board of the Stock Exchange) and an independent non-executive director and a member of the audit committee of Up Energy Development Group Limited (a company listed on the Main Board of Stock Exchange).Mr. Chui holds a Bachelor of Social Sciences (Hons) Degree in Business Economics & Accounting awarded by the University of Southampton in the United Kingdom.

* For identification purpose only

** resigned on 20 January 2017

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 24 of the consolidated financial statements. Details and respective analysis of the main business segments of the Group during the year ended 31 December 2016 are set out in note 10 to the consolidated financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 71 to 72.

No interim dividend was declared (2015: Nil) and the Directors do not recommend the payment of any final dividend for the year ended 31 December 2016 (2015: Nil).

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed during the following periods and during these periods, no transfer of shares will be registered to attend and vote at the 2017 Annual General Meeting.

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the 2017 Annual General Meeting, the Registers of Members of the Company will be closed from Tuesday, 23 May 2017 to Friday, 26 May 2017, both days inclusive.

In order to be eligible to attend and vote at the 2017 Annual General Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong for registration not later than 4:30 p.m. on Monday, 22 May 2017.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing are provided in the Chairman's Statement on pages 5 to 9 and Management Discussion and Analysis on pages 10 to 12 of this Annual Report.

The financial risk management objectives and policies of the Group are shown in note 6 to the consolidated financial statements. An analysis of the Group's performance during the year using key financial performance indicators is provided on page 10 of this Annual Report.

Discussion on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are provided on pages 56 and 65 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year ended 31 December 2016 are set out in note 20 to the consolidated financial statements.

REPORT OF THE DIRECTORS

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 4. This summary does not form part of the audited consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year ended 31 December 2016 are set out in note 39 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, as at 31 December 2016, the contributed surplus and share premium accounts are distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

Movements in the distributable reserves of the Company during the year ended 31 December 2016 are set out in note 38(b) to the consolidated financial statements.

DONATION

No charitable donation was made by the Group during the year 2016 (2015: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for 42% of the total sales for the year and sales to the largest customer included therein amounted to 16%. Subcontracting fees charged by the Group's five largest suppliers accounted for less than 30% of the total cost of services for the year.

Save as disclosed, none of the Directors or any of their associates or any shareholders (which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Zhang Xiaodong
Ms. Xia Lingjie (re-designated as Executive Director on 17 August 2016)

Non-Executive Director

Mr. Lau Wan Po (re-designated as Non-executive Director on 18 November 2016)

Independent Non-Executive Directors

Mr. Chen Zetong (appointed on 30 May, 2016)
*Mr. Chiu Man Lung, Everett
Ms. He Suying (appointed on 30 May, 2016)
Dr. Tang Lai Wah (appointed on 30 May, 2016)

* Mr. Chui Man Lung, Everett resigned as an independent non-executive Director on 20 January 2017.

Pursuant to Article 87 of the Company's Articles of Association, Mr. Zhang Xiaodong and Ms. Xia Lingjie will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Pursuant to Article 86(3) of the Company's Articles of Association, Mr. Chen Zetong, Ms. He Suying and Dr. Tang Lai Wah will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rule") and as at the date of this report still considers that all of the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2016, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, every Director, other officer and auditor shall be entitled to be indemnified out of assets of the Company against all losses or liabilities incurred or sustained by him as a Director, Auditors or other officer of the Company about the execution of the duties of his office or otherwise in relation thereto. The Company has arranged appropriate Directors' and Officers' liability insurance coverage for the Directors and officers of the Group.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by Salary Review Committee on the basis of their merit, qualifications and competence.

The emolument of the Directors are decided by Salary Review Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 40 to the consolidated financial statements.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group during the year ended 31 December 2016 are set out in note 15 to the consolidated financial statements respectively.

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

As at 31 December 2016, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and the Stock Exchange 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 as set out in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

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

		Number of shares/underlying shares held in the Company				
Name of Director	**Capacity in which interests are held**	**Interests in shares**	**Equity derivatives (Share Options)**	**Total interests**	**Approximate percentage of issued share capital of the Company**	**Notes**
Zhang Xiaodong	Corporate Interest	2,750,000,000 (L)	–	2,763,500,000 (L)	8.11%	1,2
	Beneficial Owner	13,500,000 (L)	–			
Lau Wan Po	Spouse Interest	15,000,000 (L)	–	15,000,000 (L)	0.04%	3
Chui Man Lung, Everett	Beneficial Owner	–	11,000,000 (L)	11,000,000 (L)	0.03%	

Notes:

1. Amuse Peace Limited ("Amuse Peace") held 2,750,000,000 Shares. Amuse Peace is a company wholly and beneficially owned by Mr. Zhang Xiaodong, the Chairman, Chief Executive Officer and an Executive Director of the Company. Mr. Zhang Xiaodong is deemed to be interested in the 2,750,000,000 Shares owned by Amuse Peace for the purpose of SFO.

2. On 16 June 2016, the loan agreement was entered among Amuse Peace as Borrower, KB Credit Limited （宏基信貸有限公司） ("KB Credit") as lender and Mr. Zhang Xiaodong as the guarantor in provision of a loan with the principal amount of HK$300 million (the "Loan Agreement"). The loan was secured by the share charge over 2,750,000,000 shares of the Company (the "Secured Shares") provided by Amuse Peace. Mr. Zhang Xiaodong as the guarantor had also provided a personal guarantee in favour of KB Credit for the timely performance of all of the obligations of the borrower under the Loan Agreement. Please refer to the announcement of China Goldjoy Group Limited (Stock code: 1282) published on 16 June 2016 for the details of the Loan.

3. 15,000,000 Shares are beneficially owned by Ms. Lui Wing Shan, the spouse of Mr. Lau Wan Po. Accordingly, Mr. Lau is deemed to be interested in all the Shares in which Ms. Lui Wing Shan is interested by virtues of SFO.

As at 31 December 2016, the total issued share capital of the Company amounted to 34,052,135,118 shares.

Abbreviations: "L" stands for long position

SHARE OPTION SCHEMES

2014 Share Option Scheme

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

(a) Purpose of the New Share Option Scheme

The Company adopted the New Share Option Scheme on 26 March 2014. The purpose of the New Share Option Scheme is to enable the Board to provide incentives and awards the eligible persons for their contribution or potential contribution to the Group.

(b) Participants of the New Share Option Scheme

Pursuant to the New 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 New Share Option Scheme

The total number of shares may be granted under the New Share Option Scheme is 493,835,120 shares after share subdivision.

The maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other schemes of the Company shall not exceed 30% of the total number of shares of the Company 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 of the Company in issue, unless approved by the shareholders of the Company in the manner as stipulated in the New Share Option Scheme.

(e) Time of exercise of options

An option may be exercised in accordance with the terms of the New Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period 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 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 New Share Option Scheme.

(f) The subscription price per share

The subscription price per share in respect of an option granted under the New Share Option Scheme is such price as determined by the Board of the Company 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 shares of the Company 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 of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of the options; and
- the nominal value of a share of the Company on the date of offer.

(g) Payment on acceptance of option

A non-refundable sum of HK$10.00 or other amount as determined by the Board of the Company 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 New Share Option Scheme

The New Share Option Scheme will remain in force for a period of 10 years from its adoption date (i.e. 26 March 2014). The New Share Option Scheme will terminate or expire (as the case may be) on the earlier (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 (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 New 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 New Share Option Scheme. As at the date of this report, a total of 622,000,000 share options (after share subdivision) had been granted by the Company under the New Share Option Scheme. In which, 422,000,000 share options had been lapsed during the year and the number of outstanding share options as at 31 December 2016 is 200,000,000.

REPORT OF THE DIRECTORS

The following table sets out the movements in the Company's share options under the New Share Option Scheme during the reporting period:

Directors	Exercise period of share options (Note 1)	Exercise price of share options after share subdivision (Note 2)	Number of outstanding share options as at 1.1.2016	Granted during the year	Exercise during the year	Cancelled during the year	Lapsed during the year	Number of outstanding share options as at 31.12.2016	Market Value per Share immediately preceding the grant date of share options after share subdivision (Note 3)
Share Options granted on 27 May 2015									
Zuo Jian Zhong	30/10/2015–26/05/2025	HK$0.314	50,000,000	–	–	–	(50,000,000)	–	HK$0.325
Tang Yau Sing	30/10/2015–26/05/2025	HK$0.314	50,000,000	–	–	–	(50,000,000)	–	HK$0.325
Zhang Zhige	30/10/2015–26/05/2025	HK$0.314	50,000,000	–	–	–	(50,000,000)	–	HK$0.325
Liu Wei	30/10/2015–26/05/2025	HK$0.314	50,000,000	–	–	–	(50,000,000)	–	HK$0.325
Chui Man Lung, Everett	30/10/2015–26/05/2025	HK$0.314	11,000,000	–	–	–	–	11,000,000	HK$0.325
Han Chu	30/10/2015–26/05/2025	HK$0.314	11,000,000	–	–	–	(11,000,000)	–	HK$0.325
Wu Hong	30/10/2015–26/05/2025	HK$0.314	11,000,000	–	–	–	(11,000,000)	–	HK$0.325
Sub-Total			233,000,000	–	–	–	(222,000,000)	11,000,000	–
Contributors	30/10/2015–26/05/2025	HK$0.314	389,000,000	–	–	–	(200,000,000)	189,000,000	HK$0.325
Total			622,000,000	–	–	–	(422,000,000)	200,000,000	–

Notes:

1. The vesting period of the New Share Option Scheme is that first 50% of the share options shall be exercisable by the Grantee during the period from 30 October 2015 to 26 May 2025 (both days inclusive) and the remaining 50% of the share options shall be exercisable by the Grantee during the period from 30 April 2016 to 26 May 2025 (both days inclusive).

2. The exercise price was adjusted for share subdivision and became effective on 16 September 2015 (the original exercise price isHK$3.14).

3. The market price was adjusted for share subdivision (the original market price is HK$3.25).

Save as disclosed above, during the year, no options under the New Share Option Scheme were exercised, cancelled or lapsed.

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

As at 31 December 2016, so far as is known to the Directors, the following, not being a Director or the chief executive of the Company, have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of the SFO:

Long positions in the Shares and Underlying Shares

Name	Capacity	No. of Ordinary Shares	Approximate percentage of number of issued share capital of the Company	Notes
China Goldjoy Credit Limited (Formerly known as KB Credit Limited)	Securities Interest in Shares	2,750,000,000 (L)	8.07%	3,4
Yao Jianhui	Securities Interest in Shares	3,233,870,967 (L)	9.49%	3,4
Tinmark Development Limited	Securities Interest in Shares	3,233,870,967 (L)	9.49%	3,4
China Goldjoy Group Limited	Securities Interest in Shares	3,233,870,967 (L)	9.49%	3,4
Great Sphere Developments Limited	Securities Interest in Shares	3,233,870,967 (L)	9.49%	3,4
Goldjoy Holding Limited	Securities Interest in Shares	3,233,870,967 (L)	9.49%	3,4
Stellar Result Limited	Securities Interest in Shares	2,750,000,000 (L)	8.07%	3,4
China Goldjoy Securities Limited	Custodian	21,217,772,871 (L)	63.73%	5
	Beneficial Owner	483,870,967 (L)		
Cheung Chun Shun	Corporate Interest	2,419,354,838 (L)	7.10%	6
Yue Jin International Limited	Beneficial Owner	2,419,354,838 (L)	7.10%	6
Origin Development Limited	Beneficial Owner	7,840,000,000 (L)	23.02%	7
Zheng Kanghao	Corporate Interest	7,840,000,000 (L)	23.02%	7

Notes:

1. Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file disclosure of interests forms (the "DI Forms") when certain criteria are fulfilled and the full details of the requirements are available on the Stock Exchange's official website. When a shareholder's shareholdings in the Company changes, it is not necessary to notify the Company and the Stock Exchange unless certain criteria are fulfilled. Therefore, substantial shareholders' latest shareholdings in the Company may be different to the shareholdings filed with the Company and the Stock Exchange. The above statements of substantial shareholders' interests are prepared based on the information in the relevant DI Forms received by the Company. The Company may not have sufficient information on the breakdown of the relevant interests and cannot verify the accuracy of information on the DI Forms. Therefore, some substantial shareholders' interests in Shares or short positions may not have breakdown in their relevant interests.

2. Amuse Peace held 2,750,000,000 shares. Amuse Peace is a company wholly and beneficially owned by Mr. Zhang Xiaodong, a director of the Company. By virtue of the SFO, Mr. Zhang is deemed to be interested in the Shares in which Amuse Peace are interested in.

3. On 16 June 2016, the loan agreement was entered among Amuse Peace, KB Credit (now known as "China Goldjoy Credit Limited") and Mr. Zhang Xiaodong in provision of a loan with the principal amount of HK$300 million secured by Secured Shares. Please refer to note 2 under the section of "Directors and the Chief Executive's interest" of this report for details.

4. KB Credit is a company wholly owned by Stellar Result Limited ("Stellar Result"). Stellar Result which in turn wholly owned by Goldjoy Holding Limited ("Goldjoy Holding"). Goldjoy Holding is a beneficially owned as to 80% by Great Sphere Developments Limited ("Great Sphere"). Great Sphere is a company wholly owned by China Goldjoy Group Limited ("China Goldjoy"), a company listed in Hong Kong (stock code: 1282). Tinmark Development Limited ("Tinmark") is one of the substantial shareholder of China Goldjoy holding 49.99% interests in China Goldjoy. Mr. Yao Jianhui holds 100% interests of Tinmark. By virtue of SFO, KB Credit, Stellar Result, Goldjoy Holding, Great Sphere, China Goldjoy, Tinmark and Mr. Yao are deemed to have security interests in the 2,750,000,000 Shares.

5. China Yinsheng Securities Limited is deemed to be interested in 2,750,000,000 Shares as the custodian of Amuse Peace and 18,467,772,871 Shares as the custodian of other shareholders.

6. Yue Jin International Limited is a company wholly owned by Mr. Cheung Chun Shun. Accordingly, Mr. Cheung Chun Shun is deemed to be interested in the shares of the Company by virtue of SFO.

7. Origin Development Limited is a company wholly owned by Mr. Zheng Kanghao. Accordingly, Mr. Zheng Kanghao is deemed to be interested in the shares of the Company by virtue of SFO.

8. As at 31 December 2016, the total issued share capital of the Company amounted to 34,052,135,118 shares.

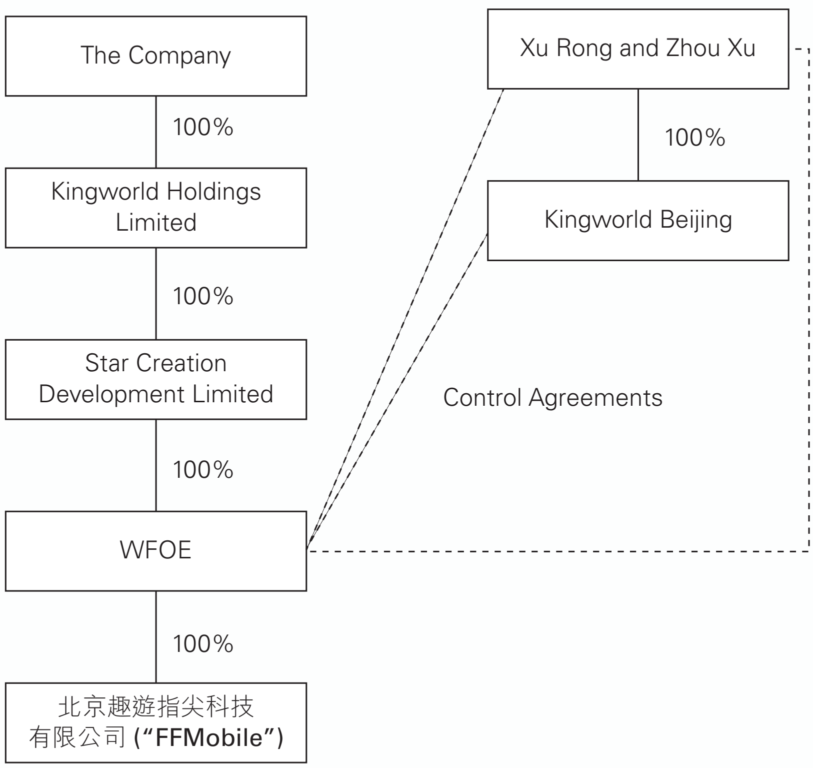
   Abbreviation: "L" stands for long position

Save as disclosed above, as at 31 December 2016, 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.

CONTROL AGREEMENTS

With reference to the Company's circular dated 4 December 2015, 九合無限（北京）體育科技有限公司 (the "WFOE"), being a wholly owned subsidiary of the Company, entered into a series of control agreements (the "Control Agreements") as set out in the sub-section headed "Details of the Control Agreements" in relation to the operation of the business regarding internet information services, network culture business operation and internet publication. Taking into account of the advice of the PRC legal adviser, the Board is of the view that the entering into the Control Agreements could enable the Group to effectively gain control over the finance and economic interest and benefits of Kingworld (Beijing) Technology Co., Ltd. ("Kingworld Beijing").

The following diagram shows the simplified structure chart of the Control Agreements as at 31 December 2016:



Notes:

"————" denotes legal or beneficial ownership

"- - - - -" denotes contractual relationship

Particulars of Kingworld Beijing and its registered owners of equity interests in Kingworld Beijing

Kingworld Beijing is a company established under the laws of the PRC. As at 31 December 2016, the registered business scope of Kingworld Beijing includes such businesses as internet information services, network culture business operation and internet publication, and correspondingly, Kingworld Beijing holds the Internet Content Provider License （中華人民共和國增值電信業務經營許可證）, the Network Culture Business Permit（網絡文化經營許可證）and the Internet Publication License （互聯網出版許可證） for conducting such businesses. As at 31 December 2016, the entire equity interest in Kingworld Beijing is owned as to 60% by Zhou Xu and 40% by Xu Rong.

Reasons for entering into Control Agreements

The primary purpose for the Group to enter into Control Agreements is to enable the Group to engage the principal business of Kingworld Beijing, such as (1) the internet information services, (2) the network culture business operation and (3) publication, sales, development of and investment in internet and mobile interaction entertainment products.

Pursuant to the Regulation on Telecommunications of the PRC 《（中華人民共和國電信條例》), internet information service is categorized as value-added telecommunications business, and according to the Catalogue of Industries for Guiding Foreign Investment (2015 Revision) 《（外商投資產業指導目錄 (2015 年修訂）》) (the "2015 Catalogue"),the foreign ownership in the PRC companies operating such business (excluding e-commerce) cannot exceed 50%. In addition, the 2015 Catalogue further provides that the foreign investors are completely prohibited to conduct the network culture business operation and the internet publication business. Therefore, the Company's PRC legal adviser is of the view that the WFOE, as a foreign-owned company, is not allowed to hold the entire equity interests of Kingworld Beijing under the PRC laws. Therefore, the registered holder(s) of equity interest in Kingworld Beijing as at 31 December 2016 were Zhou Xu and Xu Rong, who are PRC individuals. For details of the PRC laws relating to the principal business of Kingworld Beijing, please refer to the circular of the Company dated 4 December 2015.

As advised by the Company's PRC legal adviser, the Control Agreements comply with the PRC laws, rules and regulations applicable to the business of the WFOE and Kingworld Beijing (including the 2015 Catalogue), do not contravene the articles of association of the WFOE and Kingworld Beijing respectively, and would not be deemed as "concealing illegal intentions with a lawful form" and void under the PRC contract law. The Control Agreements are valid and enforceable against the parties to the Control Agreements. The Company's PRC legal adviser also confirms that all necessary actions or steps have been taken to enable it to reach its legal conclusions. Up to 31 December 2016, as advised by the PRC legal adviser, the WFOE should not encounter any interference or encumbrance from any governing bodies in operating its business through Kingworld Beijing under the Control Agreements.

Requirements related to Control Agreements (other than relevant foreign ownership restrictions) as at 31 December 2016

In addition to the relevant foreign ownership restrictions, the operation of the business regarding internet information services, network culture business operation and internet publication is required to hold a variety of permits and licenses, which, among others, include:

Internet Content Provider License (the 'ICP License') (《中華人民共和國增值電信業務經營許可證》). Under current PRC laws and regulations, including the Telecommunications Regulations and the Internet Measures, a commercial operator of internet content provision services must obtain a value-added telecommunications business-operating license for Internet content provision from the appropriate telecommunications authorities in order to carry on any commercial Internet content provision operations in the PRC. All online game publishing platforms in the PRC are required to obtain such licenses.

Network Culture Business Permit (《網絡文化經營許可證》). With respect to the online game industry in the PRC, since online games fall within the definition of 'Internet culture products' under the Provisional Regulations for the Administration of Online Culture (《互聯網文化管理暫行規定》), which were issued by the Ministry of Culture (the "MOC") and took effect on April 1, 2011 (the "Online Culture Regulations") and replaced the Provisional Regulations for the Administration of Online Culture which had been in effect since 2003, a commercial operator of online games must obtain an Network Culture Business Permit in addition to the ICP License, from the appropriate culture administrative authorities for its operation of online games. All online game publishing platforms in the PRC are required to obtain such licenses.

REPORT OF THE DIRECTORS

Internet Publication License (《互聯網出版許可證》). General Administration of Press and Publication of the PRC (the "GAPP") and the Ministry of Industry and Information and Technology (the "MIIT") jointly impose a license requirement for any company that intends to engage in Internet publication. Internet publication is defined as any act by an Internet content provider to select, edit and process content or programs and to make such content or programs publicly available on the Internet. According to the Tentative Measure for Internet Publication Administration (《互聯網出版管理暫行規定》), which were jointly promulgated by the GAPP and the MIIT and took effect in 2002 and other relevant regulations, the publication of online games is deemed an internet publication activity. Therefore, an internet content provider, such as an online game developer, needs to obtain an internet publication license in order to engage in Internet publication for online games.

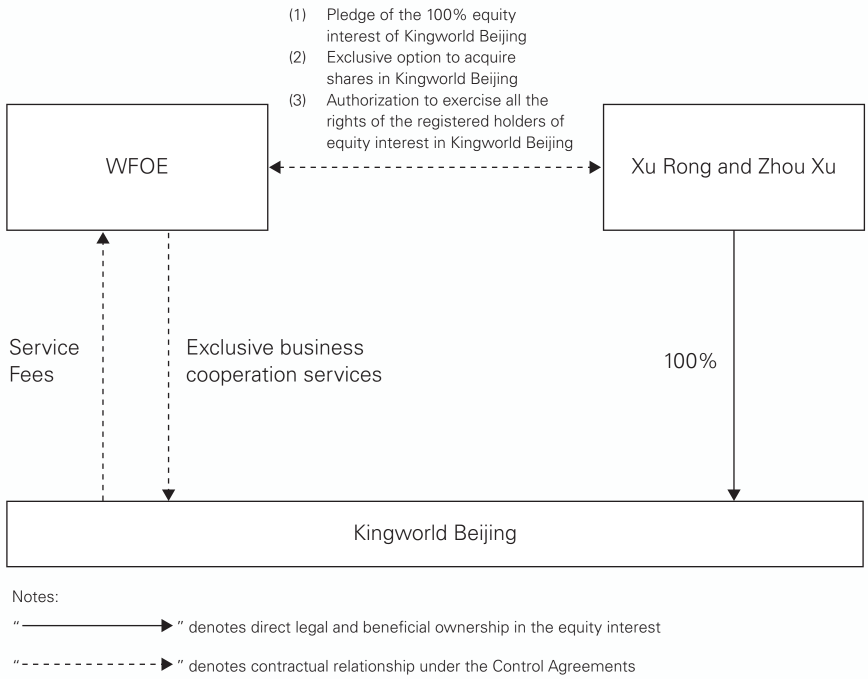
Furthermore, the Notice on Interpretation of the State Commission Office for Public Sector Reform on Several Provisions relating to Animation, Online Game and Comprehensive Law Enforcement in Culture Market in the 'Three Provisions' jointly promulgated by the MOC, the State Administration of Radio Film and Television ("SARFT"), and the GAPP (《中央編辦對文化部、廣電總局、新聞出版總署「三定」規定中有關動漫、網路遊戲和文化市場綜合執法的部分條文的解釋》) ("the Interpretation"), which was issued by the State Commission Office for Public Sector Reform (a division of the State Council) and became effective on September 7, 2009, provides that the GAPP will have responsibility for the examination and approval over the publication of online games before they are uploaded on the Internet and that, after such upload, online games will be administered by the MOC. Further, the Interpretation emphasizes that the MOC is the sole regulatory authority for the online games' operation, and that even if an online game is launched on the Internet without prior approval of the GAPP, the MOC (instead of the GAPP) has the direct authority for investigation and enforcement.

The Notice Regarding the Consistent Implementation of the "Regulation Stipulations on Three Provisions" of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Online Games and the Examination and Approval of Imported Online Games (《關於貫徹落實國務院「三定」規定和中央編辦有關解釋，進一步加強網路遊戲前置審批和進口網絡遊戲審批管理的通知》), promulgated by the GAPP, together with the National Copyright Administration and the National Office of Combating Pornography and Illegal Publications, on September 28, 2009 (the "GAPP Notice"), provides in its Article 4, that foreign investors are not permitted to invest or engage in online game operations in China through wholly-owned subsidiaries, equity joint ventures or cooperative joint ventures, and expressly prohibits foreign investors from gaining control over or participating in domestic online game operations indirectly by establishing other joint venture companies, establishing contractual arrangements or providing technical support. However, the Company is unaware that any implementation rule or interpretation on Article 4 of the GAPP Notice has been issued by the GAPP or any other PRC regulatory authority.

Additionally, as the Company is aware, in practice, the State Administration of Press, Publication, Radio, Film and Television (the "SAPPRFT") or its Beijing branch has never, individually or collectively with other PRC regulatory authorities, imposed any administrative proceedings or penalties on any online game company pursuant to the Article 4 of the GAPP Notice and Beijing Department of Culture is deemed as the sole regulatory authority to regulate the online gaming industry in Beijing, as to whether the contractual arrangements violate the relevant PRC laws and regulations on foreign investment in online gaming industry.

Details of the Control Agreements

The following simplified diagram illustrates the flow of economic benefits from the Kingworld Beijing to the WFOE stipulated under the Control Agreements:



REPORT OF THE DIRECTORS

The details of the Control Agreements are summarised as follows:

(1) Exclusive Business Cooperation Agreement (獨家業務合作協議)

Date	4 December 2015
Parties	(i) WFOE (ii) Kingworld Beijing (iii) Xu Rong (iv) Zhou Xu
Term	The Exclusive Business Cooperation Agreement has become effective on the date of its signing. The term of the Exclusive Business Cooperation Agreement shall be ten (10) years and can only be terminated if, among others: (i) upon the date of expiration; and (ii) upon serving a 30-day notice by the WFOE. After the execution of the Exclusive Business Cooperation Agreement, the parties shall review the Exclusive Business Cooperation Agreement every three (3) months to determine whether to amend or supplement the provisions in the said agreement based on the actual circumstances at that time.
Subject	Pursuant to the Exclusive Business Cooperation Agreement, the WFOE is engaged by Kingworld Beijing as the latter's exclusive service provider to provide Kingworld Beijing with technical support, management consulting services and other commercial services, which fall within the business scope of Kingworld Beijing as may be determined from time to time by the WFOE. The business scope of Kingworld Beijing include internet data service, publication of internet online games etc. In consideration of the services provided by WFOE, Kingworld Beijing shall pay monthly to the WFOE service fees equal to 100% of the net profits of Kingworld Beijing or the amount agreed by WFOE.

(2) Exclusive Option Agreement (獨家購買權合同)

Date 4 December 2015

Parties (i) WFOE

(ii) Kingworld Beijing

(iii) Xu Rong

(iv) Zhou Xu

Term The Exclusive Option Agreement has become effective on the date of its signing, and shall remain effective for a term of ten (10) years, and may be renewed at the WFOE's election.

(i) Pursuant to the Exclusive Option Agreement, the registered holders of the equity interest in Kingworld Beijing agreed to irrevocably grant the WFOE an irrevocable and exclusive right to purchase, or to designate one or more person(s) to purchase, insofar as permitted under applicable PRC laws and regulations, the respective equity interests in Kingworld Beijing from the registered holders of equity interest once or at multiple times at any time in part or in whole at the discretion of the WFOE.

(ii) The registered holders of the equity interest in Kingworld Beijing shall, upon request from the WFOE at any time, immediately and unconditionally transfer their equity interest (in whole or in part through one or more transactions) in Kingworld Beijing to such representative(s) as nominated by the WFOE.

(iii) The registered holders of the equity interest in Kingworld Beijing undertake that, among other things, they will not:

(a) authorize any sale, transfer, pledge, disposal or creation of any encumbrances over their legal or beneficial interests in Kingworld Beijing, save in respect of the pledge of equity interest to the WFOE in accordance with the terms of the Equity Interest Pledge Agreement; or

(b) approve or authorize Kingworld Beijing for any merger, amalgamation, acquisition or make any investments.

(iv) The Exclusive Option Agreement also sets out detailed provisions that prohibit Kingworld Beijing to act without the prior written approval from the WFOE.

(3) Loan Agreement (貸款協議)

Date	4 December 2015	
Parties	(i)	WFOE
	(ii)	Xu Rong
	(iii)	Zhou Xu
Term	The term of the Loan Agreement is ten (10) years commencing on the date on which Xu Rong and Zhou Xu receive payment of the loan amount under the Loan Agreement, and may be extended upon the written agreement of the parties through negotiations. During the term or extended term of the Loan Agreement, the WFOE may accelerate the loan repayment if any of the following events occurs:	
	(i)	any of Xu Rong or Zhou Xu dies or becomes disabled;
	(ii)	any of Xu Rong or Zhou Xu commits a crime or is involved in a crime;
	(iii)	any of Xu Rong or Zhou Xu has incurred any individual indebtedness over RMB500,000 without prior consent of the WFOE;
	(iv)	the WFOE or its designated party has successfully acquired the entire equity interest in the Kingworld Beijing; and
	(v)	other reasons as determined by the WFOE.
Subject	(i)	Under the Loan Agreement, the WFOE grants the holders of equity interest of Kingworld Beijing a loan in the amount of RMB15,966,030.
	(ii)	The interest rate shall be equal to the annual lending guidance rate published by the People's Bank of China from time to time.
	(iii)	The loan may, upon the request of the WFOE, be repaid by means of transferring the registered holders' equity interests in Kingworld Beijing to the WFOE or any of its designated party(ies), in proportion to the amount of the loan to be repaid by such registered holder(s).

(4) Equity Interest Pledge Agreement (股權質押合同)

Date	4 December 2015
Parties	(i) WFOE (ii) Kingworld Beijing (iii) Xu Rong (iv) Zhou Xu
Term	The pledge under the Equity Interest Pledge Agreement shall become effective on the date on which the pledge of the equity interest has been registered with relevant administration for industry and commerce (the "AIC"). The said pledge shall be continuously valid until all payments due under the Exclusive Business Cooperation Agreement have been paid by Kingworld Beijing and all payments due under the Loan Agreement have been paid by both Xu Rong and Zhou Xu.
Subject	Pursuant to the Equity Interest Pledge Agreement, the registered holders of equity interest in Kingworld Beijing agreed to pledge the entire equity interest of Kingworld Beijing to the WFOE, as security for the payment obligations of Kingworld Beijing under the Exclusive Business Cooperation Agreement and of the registered holders of equity interest in Kingworld Beijing under the Loan Agreement. Under the Equity Interest Pledge Agreement, except with prior written consent of the WFOE or pursuant to the terms of the Exclusive Option Agreement, the registered holders of equity interest in Kingworld Beijing are prohibited from transferring any of their equity interest in Kingworld Beijing, or creating or allowing any creation of any other pledge over the equity interest in Kingworld Beijing.

(5) Power of Attorney (授權委託書)

Date	4 December 2015
Parties	A Power of Attorney signed by each of the person below in favour of the WFOE: (i) Xu Rong (ii) Zhou Xu
Term	This Power of Attorney shall be irrevocable and continuously valid from the date of execution of this Power of Attorney, so long as Xu Rong and Zhou Xu respectively remain as the registered holders of equity interest in Kingworld Beijing.
Subject	Pursuant to the Power of Attorney, WFOE and any of its authorised directors, successors or liquidators is authorized to act on behalf of Xu Rong and Zhou Xu as their exclusive agent and attorney with respect to all matters concerning their equity interests in Kingworld Beijing, including without limitation to: (1) propose, convene and attend equity interest holders' meetings of Kingworld Beijing; (2) exercise all the equity interest holders' rights and voting rights Xu Rong and Zhou Xu are entitled to as registered holders of equity interest in Kingworld Beijing under the laws of the PRC and articles of association of Kingworld Beijing, including but not limited to the sale or transfer or pledge or disposition of their equity interest in part or in whole; (3) designate and appoint on behalf of Xu Rong and Zhou Xu the legal representative (chairperson), directors, executive directors, supervisors, the chief executive officer and other senior management members of Kingworld Beijing; (4) sign minutes and file documents with the relevant companies registry(ies); (5) exercise voting rights on the winding up of Kingworld Beijing on behalf of the registered holders of equity interest in Kingworld Beijing; and (6) participate in and be entitled to the distribution of the remaining assets of Kingworld Beijing upon the winding up of Kingworld Beijing on behalf of the registered holders of equity interest in Kingworld Beijing.

(6) Spouse Consent Letter (配偶同意函)

Date	4 December 2015
Parties	A Spouse Consent Letter to be signed by each of the persons below: (i) The spouse of Xu Rong (ii) The spouse of Zhou Xu
Subject	Pursuant to each of the Spouse Consent Letter, the spouse of each of Xu Rong and Zhou Xu, respectively, among other things, agrees, among others, to (i) waive his/her claim over the ownership of the equity interest in Kingworld Beijing held by his/her spouse, (ii) take all necessary action to ensure the due execution of the Control Agreements, and (iii) provide joint and several liabilities by his/her spouse to WFOE in relation to his/her obligations under the Control Agreements.

Significance and financial contribution of Kingworld Beijing to the Group

Kingworld Beijing is significant to the Group as it holds the relevant licenses to provide sports-related internet content publication services which one of the principal business of the Group. As at 31 December 2016, the total asset and the net asset value of Kingworld Beijing amounts to approximately HK$145,675,000 and HK$73,643,000 respectively.

The risks associated with Control Agreements and the actions taken by the Company to mitigate the risks

For details of the risks associated with the Control Agreements, please refer to the section headed "RISK FACTORS IN RELATION TO THE CONTROL AGREEMENTS" as disclosed in the circular of the Company dated 4 December 2015.

The Company takes the following actions to mitigate the risks:

The Control Agreements contain certain provisions in order to exercise effective control over and to safeguard the assets of Kingworld Beijing, including but not limited to that, without the prior written consent of the WFOE, the registered holders of equity interest in Kingworld Beijing shall not at any time sell, transfer, pledge, or otherwise dispose or create any encumbrances over the legal or beneficial interests of Kingworld Beijing, Kingworld Beijing shall conduct its business in ordinary and usual course to preserve the asset value of Kingworld Beijing and shall not engage in any action (or inaction) which may have any adverse effect on the business, operations and asset value of Kingworld Beijing, and etc. Besides, Kingworld Beijing's directors, legal representative, general manager, chief financial officer and other executives may be appointed under the WFOE's recommendations and such senior management will have the physical possession of all Kingworld Beijing's common seals, company chops and books and records.

Having considered that the existing senior management team possesses relevant experience and industry knowledge in the business operation of Kingworld Beijing and Kingworld Beijing has successfully achieved a rapid growth under the leadership of current senior management, it is the current intention of the WFOE to retain the existing senior management team of Kingworld Beijing. The existing senior management team of Kingworld Beijing will terminate the current service contracts with Kingworld Beijing and enter into new service contracts with the WFOE. The WFOE will then recommend Kingworld Beijing to re-appoint the relevant senior management. As a result, the senior management of Kingworld Beijing will effectively be under the control and instruction of the WFOE.

Economic risks the WFOE bears as the primary beneficiary of Kingworld Beijing, financial support to Kingworld Beijing and potential exposure of Kingworld Holdings to losses.

As the primary beneficiary of Kingworld Beijing, the WFOE bears economic risks which may arise from difficulties in the operation of Kingworld Beijing's business. The WFOE will share both profit and loss of Kingworld Beijing. Under the Control Agreements, the WFOE shall provide financial support in the event of financial difficulty of Kingworld Beijing. On the other hand, the WFOE shall have the sole and absolute discretion to decide and resolve whether to continue the business and operations of Kingworld Beijing, and Kingworld Beijing must unconditionally agree to such decision as determined by the WFOE.

Material Change

The Second Supplemental Agreement

On 27 February 2017, the parties to the Share Purchase Agreement and 深圳寶新體育產業有限公司 (Shenzhen Baoxin Sport Industry Ltd.) ("Shenzhen Baoxin"), a subsidiary of the Company, entered into a second supplemental agreement (the "Second Supplemental Agreement") to amend certain terms and set out additional terms of the Share Purchase Agreement which are, among others, as follows:

1. *Change of purchaser under the Share Purchase Agreement*
   Each of the parties to the Second Supplemental Agreement (collectively, the "Parties") irrevocably agree and ratify that the purchaser under the Share Purchase Agreement shall be changed from the New sports Investment Holding Limited (formerly known as "SinoCom Investment Holding Limited") ("Buyer") to the Company, and the Company shall be entitled to all of the rights, and shall discharge all of the obligations, of the Buyer under the Share Purchase Agreement in place of the Buyer.

2. *Confirmation of the Adjustment Amount*
   The Parties confirm that the 2016 Net Profit After Tax as stated in the latest draft of the accounts of the Kingworld Holdings and its subsidiaries for the financial year ended 31 December 2016 issued by the auditors appointed by the Buyer pursuant to the Share Purchase Agreement (the "Latest Draft Accounts") is RMB19,189,027, and according to the formula set out in the Share Purchase Agreement, the tentative Adjustment Amount is RMB244,865,838. The final Adjustment Amount will be determined based on the 2016 Net Profit After Tax as stated in the Final 2016 Audited Accounts. Should there be any difference between the respective amount of the 2016 Net Profit After Tax as set out in the Latest Draft Accounts and the Final 2016 Audited Accounts, adjustment equal to such differences will be made to the 5th tranche of the payment instalment as shown below. In that regard, since the 2016 Net Profit After Tax as stated in the Final 2016 Audited Accounts has been confirmed to be RMB19,903,084 ultimately, the relating difference of RMB4,284,342 will then be adjusted by the 5th tranche of the payment instalment. As a result, the exact amount of the 5th tranche of the payment instalment should become RMB40,581,496 accordingly.

3. *Payment Schedule of the Adjustment Amount*
Pursuant to the Second Supplemental Agreement, Xu Rong, Zhou Xu and the Seller have agreed to jointly pay the Adjustment Amount in cash to the Company in 5 tranches according to the payment schedule as follows:

1st tranche: RMB80,000,000 before 15 March 2017

2nd tranche: RMB40,000,000 before 15 May 2017

3rd tranche: RMB40,000,000 before 15 July 2017

4th tranche: RMB40,000,000 before 15 September 2017

5th tranche: RMB44,865,838* before 15 November 2017

* (finally adjusted downwards to RMB40,581,496)

In the event that Xu Rong, Zhou Xu and the Seller fail to pay any of the tranches of the Adjustment Amount in full by the deadlines stated above but subsequently pay such tranche(s) of the Adjustment Amount in full before the next tranche (excluding the 5th tranche) of the Adjustment Amount becomes due, a daily interest will accrue at a rate of 5/10000 upon the outstanding tranche payment as damages payable by Xu Rong, Zhou Xu and the Seller to the Company.

In the event that Xu Rong, Zhou Xu and the Seller fail to pay any outstanding amount (including any tranches of the Adjustment Amount and related damages) prior to the deadline for the payment of the next tranche of the Adjustment Amount, in accordance with the payment schedule set out above, the Company shall have the right to declare that the subsequent tranche(s) of the Adjustment Amount shall fall due and become immediately repayable. Further, a daily interest will accrue at a rate of 5/10000 from the date when the outstanding tranche payment first becomes due until the Adjustment Amount is paid in full as damages payable by Xu Rong, Zhou Xu and the Seller to the Company. Xu Rong, Zhou Xu and the Seller shall also pay to the Company all the costs and expenses incurred by the Company in relation to the enforcement of the Adjustment Amount and all other economic loss suffered by the Company arising out of the non-payment of the Adjustment Amount in full.

4. *Dispute resolution*
The Parties agree that in the event of dispute arising from the Share Purchase Agreement and/or the Second Supplemental Agreement, Shenzhen Baoxin has the right to commence legal proceedings against Xu Rong, Zhou Xu and the Seller on behalf of the Company and the relevant beneficiaries in such legal proceedings, and all of the rights and obligations arising thereunder shall be exercised and discharged by Shenzhen Baoxin.

Save as disclosed above, as at 31 December 2016, there has not been any material change in the Control Agreements and/or the circumstances under which they were entered into, since the date of each of the Control Agreements.

Unwinding of the Control Agreements

Up to 31 December 2016, there has not been any unwinding of the Control Agreements, nor has there been any failure to unwind the Control Agreements when the restrictions that led to the entering into the Control Agreements are removed.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken during the year under review are disclosed in note 45 to the financial statements. Save as disclosed below, these related party transactions either (i) do not constitute connected or continuing connected transactions or (ii) fall under the definition of a connected or continuing connected transaction, but are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

SHARE CAPITAL

The authorized share capital of the Company had been increased from HK$100,000,000 divided into 40,000,000,000 shares to HK$200,000,000 divided into 80,000,000,000 shares by creation of additional 40,000,000,000 shares, ranking pari passu with all existing shares with effect from 19 December 2016.

Details of movements of the share capital of the Company and its subsidiaries during the year ended 31 December 2016 are set out in note 37 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "ISSUE OF SECURITIES", "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN ORDINARY SHARES OF THE COMPANY (THE "SHARES"), UNDERLYING SHARES AND DEBENTURES" and "SHARE OPTION SCHEMES", at no time during the year 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.

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed in the sections headed "ISSUE OF SECURITIES" and "RELATED PARTY TRANSACTIONS", no contract of significance, to which the Company, any of its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year ended 31 December 2016, nor had there been any contract of significance entered into between the Group, or any of its subsidiaries during the year ended 31 December 2016.

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

None of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

COMPETING INTERESTS

As at 31 December 2016, in so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business that competed or was likely to compete with the business of the Group.

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

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

1. Ms. Xia Lingjie was re-designated as an executive Director and was appointed as deputy managing director of Shenzhen Baoxin Football Club Co., Ltd.* (深圳寶新足球俱樂部有限公司), a non-wholly owned subsidiary of the Company with effect from 17 August 2016;

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

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

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

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

EQUITY-LINKED AGREEMENTS

ISSUE OF SECURITIES

(a) Discloseable transaction in relation to the acquisition of the entire issued share capital in Heroic Coronet Limited involving the issue of consideration Shares under specific mandate

As disclosed in the announcements of the Company dated 10, 16 and 19 December 2014, 8 and 30 January 2015 and 31 March 2016, on 10 December 2014, SinoCom Investment Holding Limited (now known as New Sports Investment Holding Limited), being a wholly-owned subsidiary of the Company, Prime Castle Holdings Limited (which was owned as to 100% by Mr. Liu Wei), Mr. Liu Wei and Heroic Coronet Limited entered into a share purchase agreement under which SinoCom Investment Holding Limited has purchased and Prime Castle Holdings Limited has sold the entire issued share capital of Heroic Coronet Limited on 30 January 2015 at a consideration of HK$260,000,000.

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

To the best of the knowledge, information and belief of the then Directors as at the date of the said share purchase agreement, and having made all reasonable enquiries, each of Prime Castle Holdings Limited, Heroic Coronet Limited and Mr. Liu Wei was a third party independent of the Company and its connected persons (as defined in the Listing Rules) as at the date of the said share purchase agreement. As disclosed in the announcement of the Company dated 23 March 2015, Mr. Liu Wei was appointed as a Director with effect from 1 April 2015. Reference is also made to the announcement of the Company dated 1 April 2016, Mr. Liu Wei resigned as a Director with effect from 1 April 2016 and he was appointed as the vice president of the Company who responsible for the operation of the mobile and web-game business following his resignation.

(b) Increase in authorised share capital effective on 19 December 2016

As disclosed in the announcements of the Company dated 19 September 2016 and 19 December 2016, pursuant to an ordinary resolution passed by the Shareholders on 19 December 2016, the authorised share capital of the Company be increased from HK$100,000,000 divided into 40,000,000,000 ordinary shares of HK$0.0025 each to HK$200,000,000 divided into 80,000,000,000 ordinary shares by the creation of an additional 40,000,000,000 new ordinary shares of HK$0.0025 each.

Details of the above increase in authorised share capital are set out in note 37 to the consolidated financial statement.

(c) Major transaction in relation to the acquisition of the entire issued share capital in Yue Jin Asia Limited involving the issue of consideration Shares under specific mandate

As disclosed in the announcements of the Company dated 19 September 2016 and 28 December 2016, on 19 September 2016, the Company and New Sports Investment Holding Limited, being a wholly-owned subsidiary of the Company, Yue Jin International Limited (which was owned as to 100% by Mr. Cheung Chun Shun) and Mr. Cheung Chun Shun entered into a share purchase agreement under which New Sports Investment Holding Limited has purchased and Yue Jin International Limited has sold the entire issued share capital of Yue Jin Asia Limited on 28 December 2016 at a consideration of HK$1,000,000,000.

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

To the best of the knowledge, information and belief of the then Directors as at the date of the said share purchase agreement, and having made all reasonable enquiries, each of Yue Jin International Limited and Mr. Cheung Chun Shun was a third party independent of the Company and its connected persons (as defined in the Listing Rules) as at the date of the said share purchase agreement.

With an aim to further develop and expand the business scope of the Group, and taking into account the potentials of the school and yacht club industries, the then Directors were of the view that the terms of the said share purchase agreement were fair and reasonable and the transaction contemplated thereunder was in the interests of the Company and the Shareholders as a whole.

Details of the said share purchase agreement are set out in note 37 to the financial statements.

(d) Subscription agreements dated 19 September 2016 in relation to the subscription of 12,181,629,000 Shares

As disclosed in the announcements of the Company dated 19 September 2016, the Company entered into four subscription agreements in relation to the subscription of 12,181,629,000 Shares of HK$0.0025 each at a price of HK$0.062 per share to Origin Development Limited, Crystal Fount Investments Limited, Ms. Ai Qing and Ms. Zheng Kuanjian respectively, which is to the best of the knowledge, information and belief of the then Directors having made all reasonable enquiries, all subscribers are independent third parties of the Company and its connected persons. The premium on the issue of shares amounting to approximately HK$724,807,000, was credited to the Company share premium account. The subscriptions were completed on 28 December 2016 and the Company issued and allotted a total of 12,181,629,000 new Shares on 28 December 2016.

The then Directors are of the view that the said subscriptions can strengthen the Group's cash position without incurring additional interest burden and is therefore an effective manner to raise additional funds for the Acquisition. The Subscriptions will also provide an opportunity for the Company to broaden its shareholder base.

Details of above subscription agreement are set out in note 37 to the consolidated financial statements.

(e) Placing agreement dated 19 September 2016 in relation to the placing of 4,088,000,000 Shares

As disclosed in the announcements of the Company dated 19 September 2016, the Company entered into a placing agreement in relation to the placing of 4,088,000,000 Shares of HK$0.0025 each at a price of HK$0.062 per share to not less than six independent investors, which is to the best of the knowledge, information and belief of the then Directors having made all reasonable enquiries, all investors are independent third parties of the Company and its connected persons. The premium on the issue of shares amounting to approximately HK$240,701,000, net of share issue expenses of HK$2,535,000, was credited to the Company share premium account. The placement was completed on 30 December 2016 and the Company issued and allotted 4,088,000,000 new Shares on 30 December 2016.

The then Directors are of the view that the said placing of shares can further strengthen the Group's cash position without incurring additional interest burden and is therefore an effective manner to raise additional funds for the repayment of outstanding bonds. The placing also provide an opportunity for the Company to broaden its shareholder base and further consolidate the financial position of the Group to diversify its business risks.

Details of above placing agreements are set out in note 37 to the consolidated financial statements.

USE OF NET PROCEEDS

For the year ended 31 December, 2016, the total net proceeds received from placing of consideration shares, new shares and bonds after deducting underwriting fees and other expenses were HK$1,488,427,000. Such net proceeds were deposited at the Group's bank accounts. The net proceeds were used as follows:

Date of Announcement	Intended use of Proceeds	Approximate amounts of the net proceeds (in HK$)	Approximate amounts utilized (in HK$)	Approximate remaining amount (in HK$)
28 October, 2015	Future acquisition	HK$97,000,000	HK$97,000,000	Nil
11 November, 2015	Future acquisition	HK$157,000,000	HK$157,000,000 was paid as cash consideration for the acquisition of Key Rich Corporation Limited	Nil
19 September, 2016	To finance the acquisition of Yue Jin Asia Limited and as general working capital of the Company	HK$755,261,000	HK$700,000,000	HK$55,261,000
19 September, 2016	For repayment of the bonds issued by the Company on 22 June 2015	HK$250,921,000	HK$250,921,000	Nil
2 November 2016	To refinance the November 2015 Bonds	HK$92,150,000	HK$92,150,000	Nil

BORROWINGS

Particulars of borrowings of the Group are set out in note 30 to the consolidated financial statements.

SUBSIDIARIES

Particulars regarding principal subsidiaries are set out in note 24 to the consolidated financial statements.

MANAGEMENT CONTRACTS

No contracts relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

PUBLIC FLOAT

Based on the information that was publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there was sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Repayment of deposits paid for acquisition of subsidiaries

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

As at 31 December 2015, an amount of RMB65,000,000 (equivalent to approximately HK$77,584,000) has been paid to the vendors of Wuxi Xinyou and their associates as deposits in relation to the potential acquisition. During the year, additional deposits of HK$200,000,000 and RMB15,000,000 were paid to the vendor of Wuxi Xinyou in relation to the potential acquisition.

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

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

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

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

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

Formation of Joint Venture Company with Mr. Huang Xintao

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

Disposal of Key Rich Corporation Limited

Reference was made to 2016 Interim Report on 15 August 2016, New Sports Investment Holding Limited (the "NSI"), a subsidiary of the Company entered into a non-legally binding memorandum of understanding with an independent third party in relation to a potential disposal of the entire interests in Key Rich Corporation Limited ("Key Rich") for a consideration of HK$60,000,000.

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

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Listing Rules. The current audit committee comprises Dr. Tang Lai Wah (Chairman), Mr. Chen Zetong and Ms. He Suying, all of whom are independent non-executive Directors.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group, and to review the Company's annual report and half-yearly reports and to provide advices and comments thereon to the Board.

The audit committee has reviewed the Group's annual results for the year ended 31 December 2016, including the accounting principles and practices adopted by the Group.

CORPORATE GOVERNANCE

The Company is committed to adopt corporate governance practices. The Company's corporate governance practices are set out in the Corporate Governance Report on pages 46 to 55 of this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2016 have been audited by RSM Hong Kong who will retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution will be submitted to the forthcoming annual general meeting of the Company for the re-appointment of RSM Hong Kong as auditor of the Company.

On behalf of the Board

Zhang Xiaodong
Chairman

Hong Kong
24 March 2017

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

During the year under review (i.e. from 1 January 2016 to 31 December 2016) ("Reporting Period"), the Company has applied and complied with most of the applicable provisions as set out Corporate Governance Code contained in Appendix 14 (the "CG Code") of Listing Rules, except the deviation disclosed herein.

(a) Deviation

	Code Provision	Deviation	Considered Reason for deviation
A.1.3	Notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend.	During the year, certain regular Board meetings were convened with less than 14 days' notice to enable the Directors to react timely and carry out expeditious decision making in respect of transactions which were of significance to the Group's business. As a result, the Board meetings were held with a shorter notice period than required with the consent of all Directors for that time being.	The Board will do its best endeavor to meet the requirement of code provision A.1.3 of the CG Code in the future.
A.2.1	The role of chairman and chief executive should be separate.	Mr. Zhang Xiaodong was the chairman and chief executive officer ("CEO") since 1 April 2016.	The Board considered that vesting the roles of chairman and CEO in the same person facilitates the execution of the Group's business strategies and maximizes effectiveness of its operation. The Board considered that there is a sufficient balance and division of responsibilities and authority.
A.7.1	Board meetings papers should be sent to all directors at least 3 days before the intended date of meeting.	During the year, certain ad hoc Board meetings were held and the relevant board meeting papers were sent to all Directors less than 3 days before the date of the Board meeting.	The Board will do its best endeavor to meet the requirement of code provision A.7.1 of the CG Code in the future.

(b) Deficiencies of Internal Control

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

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

COMPLIANCE WITH THE MODEL CODE

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. The Company has made specific enquiry with all Directors, all the Directors have confirmed that they have complied with the required standards set out in the Model Code and the Code of Conduct during the Reporting Period.

BOARD OF DIRECTORS

During the Reporting Period, the Board consists of two executive Directors namely Mr. Zhang Xiaodong (chairman) and Ms. Xia Lingjie; one non-executive Director namely Mr. Lau Wan Po; and four independent non-executive Directors namely Mr. Chui Man Lung Everett, Mr. Chen Zetong, Ms. He Suying and Dr. Tang Lai Wah. None of the Directors has any family relationship with any of other Directors. Mr. Chui Man Lung Everett resigned as an independent non-executive Director on 20 January 2017.

The Company considers that the Board has the necessary skills and experience appropriate for discharging their duties as directors in the best interest of the Company and that the current board size as adequate for its present operations. Detailed biographies outlining each director's range of specialist experience and suitability for the successful long-term management of the Group can be found in the Section of "Directors and Senior Management Profiles".

During the Reporting Period, the Chairman met with the independent non-executive Directors without the executive Directors present.

Board Diversity

In compliance with the requirement set out in code provision A.5.6 of the CG Code, the Company adopted a board diversity policy (the "Board Diversity Policy") on 1 April 2014 which set out its approach to achieve diversity on the Board with a view to achieving a sustainable and balanced development of the Company.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills knowledge and length of service. The Company will also take into account factors based on its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Chairman and Chief Executive Officer

The Code provision A.2.1 stipulated 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 CEO should be clearly established and set out in writing.

Mr. Zhang Xiaodong currently assumes the roles of both Chairman and CEO on 1 April 2016. The Company considers that the chairman is responsible for the operation of the Board and the CEO is responsible for managing the operations of the Group, and the responsibilities are clearly set out in writing and approved by the Board. Mr. Zhang Xiaodong has undertaken the duties of both Chairman and CEO, which deviated from the provisions set out in the CG Code. Given the Group's current stage of development, the Board considers 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 operations. The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstance arise.

CORPORATE GOVERNANCE REPORT

Role and function of the Board and the management

The principal functions of the Board are to make decision on the objectives, strategic plans, budgets and management structure of the Company; to oversee the management of the business and affairs of the Group; to supervise the management of the business and affairs with the objective of enhancing the Company and shareholders' value with the proper delegation of the power to the management for its day-to-day operation of the Company, implementation of the budgets and strategic plans and development of the organization of the Company for implementing the Board's decision. The composition and functions of each Board committee and their major roles and functions are described below. The final decision still rests with the Board unless otherwise provided for in the terms of reference of the relevant committees.

Non-executive Directors

All non-executive Directors including independent non-executive Directors are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association at each annual general meeting.

Independent non-executive Directors are responsible to scrutinize the Company's performance in achieving agreed corporate goals and objectives; and ensuring that the exercise of the board authority is within the powers conferred to the Board under is Articles of Association, applicable laws, rules and regulations.

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmations of independence from each of the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Directors consider that all the independent non-executive Directors remain independent.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Pursuant to Articles 87(1) and 87(2) of the Company's Articles of Association, one-third of the Directors for the time being shall retire by rotation at each annual general meeting of the Company at least once every three years. All retiring Director shall be eligible for re-election.

Article 86(3) of the Company's Articles of Association provides that (1) any director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment, or (2) any director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Every director, including non-executive directors and independent non-executive directors were appointed for a term of three years and would be subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company. Their appointments would be reviewed by Nomination Committee when they were due for re-election.

BOARD MEETINGS

The Board holds at least four meetings a year. The Board convenes meetings on a regular basis and on an ad hoc basis, as required by business needs. All Directors are invited to attend the Board meetings in person or by telephone conference.

Sufficient notices for regular board meetings and reasonable notices for non-regular board meetings were given to all Directors so as to ensure that each of them had an opportunity to attend the meetings. Board papers will be given to the Board before the date of the Board meeting by the Company Secretary.

If a substantial shareholder or a Director has a conflict of interest in a matter, the matter will be dealt by a physical Board meeting rather than a written resolution.

During the Reporting Period, the Board held a total of 11 Board meetings.

Details of Directors' attendance record in the year of 2016 are as follows:

Directors	No. of meetings attended/ No. of meetings held
Executive Directors	
Zhang Xiaodong (appointed on 1 April 2016)	8/8
Xia Lingjie (appointed on 1 April 2016 and re-designated as Executive Director on 17 August 2016)	7/8
Wang Zhiqiang (resigned on 1 April 2016)	2/3
Zuo Jian Zhong (resigned on 1 April 2016)	2/3
Tang Yau Sing (resigned on 1 April 2016)	2/3
Zhang Zhige (resigned on 1 April 2016)	2/3
Liu Wei (resigned on 1 April 2016)	2/3
Non-Executive Director	
Lau Wan Po (appointed on 1 April 2016 and re-designated as Non-executive Director on 18 November 2016)	7/8
Independent Non-Executive Directors	
Chen Zetong (appointed on 30 May 2016)	7/7
He Suying (appointed on 30 May 2016)	7/7
Tang Lai Wah (appointed on 30 May 2016)	7/7
Chui Man Lung, Everett (resigned on 20 January 2017)	10/11
Han Chu (resigned on 30 May 2016)	2/4
Wu Hong (resigned on 30 July 2016)	3/5

Company Secretary

During the Reporting Period, the Company Secretary was responsible for advising the Board on compliance and corporate governance matters. The Company Secretary also prepared detailed minutes of each meeting. The minutes would be sent to the members of the Board for comments as soon as practicable after conclusion of the meetings. The Company Secretary reports to the Chairman. All Directors also have access to the advice and services of the Company Secretary to ensure that all applicable laws, rules and regulations are followed.

The Company Secretary has confirmed that she has taken no less than 15 hours of relevant professional training during the year 2016 as required by Listing Rule 3.29.

ACCESS TO INFORMATION

All Directors are kept informed of major changes of the Group's business from time to time. They have unrestricted access to the advices from the Company Secretary who are responsible to provide the Board papers and related materials.

Minutes of Board Meeting and Board Committee meetings are kept by the Company Secretary and are open for inspection by any Director. The Directors including independent non-executive Directors may seek for legal advices at the Company's expenses to discharge their duties.

DIRECTORS' AND OFFICERS' LIABILITY

Appropriate insurance cover on directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

A comprehensive, formal and tailored induction training will be given to every newly appointed Directors. Directors will be provided with materials relevant to the Company's business and director's duties and responsibilities. In addition, in order to allow the Directors to understand the latest development of regulatory and compliance issues, they are also provided with market news and regulatory updates. A summary of their records of continuous development training ("CPD") is as follows:

Directors	Types of CPD	Subject of CPD
Executive Directors		
Zhang Xiaodong (appointed on 1 April 2016)	1,2	A,B
Xia Lingjie (appointed on 1 April 2016 and re-designated as Executive Director on 17 August 2016)	1,2	A,B
Wang Zhiqiang (resigned on 1 April 2016)	1,2	A,B
Zuo Jian Zhong (resigned on 1 April 2016)	2	A,B
Tang Yau Sing (resigned on 1 April 2016)	1,2	A,B
Zhang Zhige (resigned on 1 April 2016)	2	A,B
Liu Wei (resigned on 1 April 2016)	2	A,B
Non-Executive Director		
Lau Wan Po (appointed on 1 April 2016 and re-designated as Non-executive Director on 18 November 2016)	1,2	A,B
Independent Non-Executive Directors		
Chen Zetong (appointed on 30 May 2016)	1,2	A,B
He Suying (appointed on 30 May 2016)	1,2	A,B
Tang Lai Wah (appointed on 30 May 2016)	1,2	A,B
Chui Man Lung, Everett (resigned on 20 January 2017)	1,2	A,B
Han Chu (resigned on 30 May 2016)	2	A,B
Wu Hong (resigned on 30 July 2016)	2	A,B

Note 1:

1. Attending in-house training or seminars
2. Reading newspapers, journals and updated legal and regulatory news

Note 2:

A. The Company's business
B. Laws, rules and regulations, accounting standards

BOARD COMMITTEES

The Board has established three committees with specific written terms of reference to oversee particular aspects of the Company's affairs.

Audit Committee

During the Reporting Period, Audit Committee consists of all independent non-executive Directors namely Mr. Chui Man Lung, Everett (the Chairman), Mr. Chen Zetong, Ms. He Suying and Dr. Tang Lai Wah. Mr. Chui Man Lung, Everett resigned as the chairman and a member of the Audit Committee on 20 January 2017.

The primary duties of the Audit Committee include, inter alia, to review and monitor financial reporting and the judgments contained therein; and to review financial and internal controls half-yearly and annually, accounting policies and to provide recommendations and advices to the Board on the appointment, re-appointment and removal of external auditor as well as their terms of appointment.

The Audit Committee reviewed and discussed with the management the accounting principles and practice adopted by the Group and auditing, internal controls and financial reporting matters. The audited financial statements of the Group for the financial year ended 31 December 2016 have been reviewed by the current Audit Committee.

Attendance of the Audit Committee members during the relevant period is set out below:

Members	No. of meetings attended/ No. of meetings held
Chui Man Lung, Everett (resigned on 20 January 2017)	2/2
Chen Zetong (appointed on 30 May 2016)	1/1
He Suying (appointed on 30 May 2016)	1/1
Tang Lai Wah (appointed on 30 May 2016)	1/1
Wu Hong (resigned on 30 July 2016)	1/1
Han Chu (resigned on 30 May 2016)	1/1

Nomination Committee

The Nomination Committee comprising all independent non-executive Directors Ms. He Suying (appointed as Chairman on 30 May 2016), Mr. Chen Zetong and Dr. Tang Lai Wah. Mr. Chui Man Lung, Everett resigned as the member of Nomination Committee on 20 January 2017.

The major functions of the Nomination Committee are to review the structure and composition of the Board, to review and provide recommendations to the shareholders of the Company on individuals suitably qualified to become Board members and the terms of Director's service contract, and to assess the independence of the independent non-executive Directors and to review the Board Diversity Policy.

The Nomination Committee has been provided with sufficient resources to perform its duties and may seek independent professional advice at the Company's expenses, to perform its responsibilities if it considers necessary.

Attendance of the Nomination Committee members during the relevant period is set out below:

Members	No. of meetings attended/ No. of meetings held
He Suying (appointed on 30 May 2016)	0/0
Chen Zetong (appointed on 30 May 2016)	0/0
Tang Lai Wah (appointed on 30 May 2016)	0/0
Han Chu (resigned on 30 May 2016)	3/3
Wu Hong (resigned on 30 July 2016)	3/3
Chui Man Lung, Everett (resigned on 20 January 2017)	3/3

Salary Review Committee

The Salary Review Committee of the Company comprising four members with a majority of independent non-executive Directors namely Ms. He Suying (the Chairman), Mr. Chen Zetong, Dr. Tang Lai Wah and Mr. Zhang Xiaodong. Mr. Chui Man Lung, Everett resigned as the member of Salary Review Committee on 20 January 2017.

The primary objectives of Salary Review Committee is, inter alia, to formulate the remuneration policy based on the responsibilities, qualifications and working performance of senior management and directors; review and recommend the Board's annual remuneration policy. The major objective of the remuneration policy is to ensure that the Company is able to attract, retain, and motivate a high-calibre team which is essential to the success of the Company.

During the Reporting Period, the Salary Review Committee held 3 meetings. It reviewed the remuneration package of Directors and considered the terms of appointment of the newly appointed Directors.

Attendance of the Salary Review Committee members during the relevant period is set out below:

Members	No. of meetings attended/ No. of meetings held
He Suying (appointed on 30 May 2016)	0/0
Chen Zetong (appointed on 30 May 2016)	0/0
Tang Lai Wah (appointed on 30 May 2016)	0/0
Zhang Xiaodong (appointed on 1 April 2016)	0/1
Chui Man Lung, Everett (resigned on 20 January 2017)	3/3
Wu Hong (resigned on 30 July 2016)	3/3
Han Chu (resigned on 30 May 2016)	3/3
Zuo Jian Zhong (resigned on 1 April 2016)	1/2

Details of remuneration paid to Directors and senior management for the year are set out in note 15 to the consolidated financial statements.

CORPORATE GOVERNANCE FUNCTION

During the Reporting Period, the Board responsible for performing the corporate governance duties as follows:

- developing and reviewing the Company's policies and practices on corporate governance and making recommendation to the Board;
- reviewing and monitoring the training and continuous professional development of Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the Group's employees and Directors; and
- reviewing the Company's compliance with the CG Code and disclosure in the corporate governance policies.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the Reporting Period. The Directors consider that the consolidated financial statements have been prepared in conformity with the generally accepted accounting standards in Hong Kong. Having made appropriate enquiries, the Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

The financial statements of the Company for the year ended 31 December 2016 have been reviewed by the current audit committee of the Company (the "Audit Committee") and audited by the external auditors, Messrs. RSM Hong Kong.

For the year ended 31 December 2016, the remuneration paid/payable to RSM Hong Kong, the auditors of the Company, is set out as follows:

Services	Fee (HK$)
Audit Fee	3,100,000
Non-audit Fees	2,421,000

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Board delegated to the management the implementation of such systems of internal controls as well as the annual review of relevant financial, operational and compliance controls and risk management procedures. The Board considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

Risk Management Committee was established on 31 December 2015 overseeing the relevant risk management systems and ensuring that they are compatible with the Group's strategy and risk appetite.

The Risk Management Committee comprising two Executive Directors namely Mr. Zhang Xiaodong (Chairman) and Ms. Xia Lingjie and the Non-executive Director namely Mr. Lau Wan Po.

The Risk Management Committee has developed a framework for the management and control of risks in the Group. The Risk Management Committee ensures that any new and emerging risks are promptly identified, evaluated and appropriate actions are taken by the management. This requires the active and frequent participation by the process owner of each function in identifying risks affecting its business and implementing measures to reduce such risks, as well as the active monitoring on the progress of the improvement in internal control procedures.

During the financial year and up to the date of this Annual Report, the Risk Management Committee determined the scope and reviewed the Company's risk management.

During the year under review, the Board engaged an external consulting firm to perform internal control review on major business operations of the Group. The external consultants evaluated the internal control system and studied also risks and mitigation strategies. An internal control review report with the relevant findings and recommendations was prepared. Meanwhile, the risks identified during the review exercise together with the respective ratings, existing situations and mitigating plans were all documented in the risk register. Accordingly, the Board is of the view that the systems of internal control and risk management are effective and there are no irregularities, improprieties, fraud or other deficiencies that suggest material deficiency in the effectiveness of the Group's internal control system.

The Board, in conjunction with the Audit Committee and the Risk Management Committee, annually assessed and reviewed the effectiveness of the internal control systems and procedures and considered the adequacy of resources and financial reporting function. As such, the Group currently does not have an internal audit department. The Board will review and consider to establish such department as and when it thinks necessary.

The Group believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Group has therefore made continued efforts to uplift its quality of corporate governance. It has established a highly effective system of internal controls and adopted a series of measures to ensure its safety and effectiveness. As a result, the Group is able to safeguard its assets and protect the interests of its Shareholders.

SHAREHOLDERS' RIGHTS

Pursuant to Article 58 of the Company's Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself or themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. the requisition in writing should be sent to the Company's office at Unit 2602, 26/F., Lippo Centre, Tower 1, No. 89 Queensway, Admiralty, Hong Kong.

The same procedure also applies to any proposal to be tabled at shareholders' meetings for adoption. The Board will review shareholders' enquires on a regular basis. Specific enquiries and suggestions by shareholders can be sent in writing to the Board or the Company Secretary at the above address.

In case of shareholding enquires, shareholders should direct their enquiries to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, via its online holding enquiry at www.tricoris.com, or by email to is-enquiries@hk.tricorglobal.com or dial its hotline at (852) 2980 1333 or go in person at its public counter at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

COMMUNICATION WITH SHAREHOLDERS

During the Reporting Period, the Board has adopted the shareholders' communication policy, which is posted on the Company's website.

Designated senior management is responsible for communicating and enhancing relationships with the investors of the Company. Enquiries from investors are dealt with in a timely manner.

The Company provides extensive information in its annual and interim reports and announcements. All shareholders' communications are also available on the Company's website.

The annual general meeting of the Company provides a useful forum for shareholders to exchange views with the Board. All Directors will make an effort to attend. External auditor is also available at the annual general meeting to address shareholders' queries. In case of any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval, members of the independent Board committee will also make an effort to attend to address shareholders' queries.

Details of the Directors' attendances at the 2016 general meetings are as follows:

Directors	No. of general meetings attended/ No. of general meetings held
Executive Directors	
Zhang Xiaodong (appointed on 1 April 2016)	2/2
Xia Lingjie (appointed on 1 April 2016 and re-designated as Executive Director on 17 August 2016)	2/2
Wang Zhiqiang (resigned on 1 April 2016)	0/1
Zuo Jian Zhong (resigned on 1 April 2016)	0/1
Tang Yau Sing (resigned on 1 April 2016)	1/1
Zhang Zhige (resigned on 1 April 2016)	0/1
Liu Wei (resigned on 1 April 2016)	0/1
Non-Executive Director	
Lau Wan Po (appointed on 1 April 2016 and re-designated as Non-executive Director on 18 November 2016)	2/2
Independent Non-Executive Directors	
Chen Zetong (appointed on 30 May 2016)	1/1
He Suying (appointed on 30 May 2016)	1/1
Tang Lai Wah (appointed on 30 May 2016)	1/1
Chui Man Lung, Everett (resigned on 1 April 2017)	3/3
Wu Hong (resigned on 30 July 2016)	0/2
Han Chu (resigned on 30 May 2016)	0/2

CONSTITUTIONAL DOCUMENTS

The Company does not have any changes in the constitutional document during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. SCOPE

The reporting period of this Environment, Social and Governance report is from 1 January 2016 to 31 December 2016. This Report covers the operations of the following two subsidiaries of the Group for the internet gaming business and location of the Group's Hong Kong office is at Unit 2602, 26/F, Lippo Centre, Tower 1, No.89 Queensway, Admiralty.

— Beijing Kaixin Jiuhao Technology Company Limited

— Kingworld (Beijing) Technology Company Limited

The contents of This Report are prepared in accordance with the Environmental, Social and Governance Reporting Guide of The Stock Exchange of Hong Kong Limited, and the publication frequency is once a year.

2. COMMUNICATION WITH STAKEHOLDERS

The Company's annual general meeting ("AGM") provides an effective platform for the Board of Directors and shareholders to exchange views. In addition to the AGM, for maintaining close relationship with customers, suppliers and other stakeholders, the Group communicates with stakeholders from time to time through different channels such as visits, conference calls, e-mails, company websites, customer service hotlines, follow-ups by customer service specialists, etc. in order to fully listen to their views and needs. The Group's overall performance is also reported to investors through the annual report of the Company.

3. ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

3.1 Environmental

3.1.1 Emissions

The Group is actively responding to the global trend of emission reduction, focusing on energy conservation and emission reduction in daily operations, and striving to avoid the generation of pollutants such as greenhouse gases, wastewater and garbage. To protect the environment from further damage, the Group has developed a series of environmental policies to control and reduce emissions of greenhouse gas and pollutants, including:

Waste Reduction Policy

Based on the principle of emission reduction, the Group recycles resources necessary for daily operations as much as possible. Office supplies and other supplies that have refills available are used as much as possible so as to reduce the generation of office waste. The packaging boxes for equipment/materials are also collected and reused for other purposes. For materials that are not recyclable/reusable, such as plastic packaging bags, discarded electronic products, etc., the Group will collect and store them according to their categories, and then send them to qualified agencies for handling. During the reporting period, no violation of environmental regulations was found.

Business Travel Reduction Policy

The Group has thorough understanding of the fact that business trips increase energy consumption and lead to increase in greenhouse gas emissions; therefore, the Group is striving to minimize the number of business trips and switch to other effective communication methods, including internet communication tools, video conferences, telephone conferences and emails. Remote communication software is adopted as much as possible when communicating with external parties in order to reduce greenhouse gas emissions due to business trips. When the aforesaid communication tools cannot tackle the needs, the Group encourages employees to use public transportation as priorities and, where possible, select nearby areas for the necessary business trip arrangement.

Local procurement policy

Procurement from non-local suppliers requires additional transport processes. As similar to business trip, it also increases energy consumption and greenhouse gas emissions. Therefore, at the time of procurement the Group will leverage the factors of raw materials such as quality, cost and environmental protection. As long as compliance with the Group’s procurement policy, preference is given to products, equipment and services of local suppliers, and higher priority is given to local suppliers in closer proximity and using more environmental transportation means.

Policy for advocating environmental protection to stakeholders

For effective implementation of the emission reduction policy, the Group promotes the importance of “reducing carbon emissions” in the supply chain, which requires suppliers to operate in accordance with environmental regulations and to develop and implement environmental management practices. In addition, the Group also incorporates the values of environmental protection into employees’ training programmes, including awareness trainings on environmental protection topics to build up employees’ awareness and guide them on environmental protection practices in their daily operation. The Group is also actively seeking for cooperation with environmental groups to organise relevant seminars and activities for promoting the importance of reducing carbon emissions to both internal and external key stakeholders.

3.1.2 Use of Resources

The Group is well aware of the limited resources on the planet and for more effective utilisation of resources; the Group promotes Green Office Management and other appropriate measures to enhance the efficiency in the use of resources, including:

Energy Conservation Policy

Develop code of practice for air conditioning: The operating period of the air-conditioning equipment is only scheduled for the designated office hours, and the setting of air-conditioning equipment regulates the office temperature at the range of around 25.5 degrees Celsius. These approaches reduce energy consumption by raising the operating temperature of the water-type chillers. In addition, the Group has an automatic ventilation system in response to the detected carbon dioxide concentration, this ventilation system would be adjusted according to the actual indoor air conditions in order to reduce energy consumption from unnecessary ventilation. For the other office equipment, they are set at energy saving mode during office hour or in automatic shut-off mode after use.

In addition to equipment control, the Group has defined employees' code of practice for energy conservation. The Group requires employees to switch off the lighting facilities that are not in use. At non-working hours such as lunch time, employees are requested to switch off electrical facilities such as lightings, air conditioning system and computers whenever appropriate, or to set office equipment such as computers, printers, photocopiers, etc. in standby or other energy-saving modes. When off work employees are requested to switch off electrical equipment such as air conditioning system, lightings, computers, and arrange the employee who is leaving the office lastly to check and shut off all office equipment.

Natural light source would be adopted as much as possible in the office layout; also natural ventilation would be used as much as possible to reduce dependence on air conditioning. During the operation of air conditioning, employees are required to close doors and windows to avoid additional power consumption from air leakage. Moreover, the Group encourages employees to wear casual clothes in the summer time to reduce the operation of air conditioning, and reminds employees to switch off the power through posting of signage at the office entrance/exit.

For more effective implementation of energy conservation, it is the Group's policy to prioritise the use of energy-efficient products and equipment, and to regularly inspect and replace inefficient equipment in order to avoid unnecessary power consumption from equipment of poor performance.

Wherever possible, the Group is striving to adopt renewable energy or low-carbon quality energy sources to reduce greenhouse gas emissions. In the plan for replacing equipment of high power consumption, all office lighting facilities will be replaced by energy-saving lighting such as LED for further improvement of energy efficiency.

Water Conservation Policy

Although water consumption from the Group's business is not significant, the Group insists the emphasis to employees' awareness on water conservation. For example, in daily operations, slogans are posted near water sources to remind employees and visitors to save water. Equipment like water pipes and taps are regularly inspected by professionals to ensure leakage issues are timely repaired for minimising water wastage.

Resources Conservation Policy

The Group's workflow promotes green files which use computer files to replace the hardcopies, and is striving to implement paperless office which uses e-mail as the primary means of communication. Files are saved on computers instead of being printed or photocopied, including the use of electronic files in the review and approval process whenever possible in order to reduce the use of papers in office. Whenever there is need of paper documents, which should be attempted to circulate for review in the leverage of confidentiality, so as to reduce the use of office papers. At the same time, the Group encourages employees to reduce the paper use by photocopying on both sides of paper and reusing the single-sided paper for printing or photocopying. Also the Group advises employees to use cloths and towels when cleaning the office in order to reduce the use of paper towels. Moreover, the Group encourages employees to replace bottled water with reusable containers in an attempt to change the employees' habit of using bottled water during daily work or meetings, so as to reduce unnecessary consumption of water bottles and hence to save the use of plastic resources.

3.1.3 The Environment and Natural Resources

The Group's business is the development of internet games, and its significant environmental impact is the energy consumption of its server system and the consumption of office resources. In line with the internal promotion of environmental protection and resource utilisation within the Group, policies for green operation and green procurement are advocated by the Group:

Green Operation Policy

Server is the key equipment for the entire business. For improvement of heat dissipation around the server and reduction of power consumption, the Group often ensures adequate ventilation around the equipment instead of lower temperature setting of the air-conditioned server room. The temperature in the server room is also strictly monitored to avoid the setting lower than the required temperature which eventually lead to unnecessary power consumption. During off day or when the server utilisation is low, the Group considers turning off part of the air-conditioning system in the server room to save energy. Whenever appropriate, the Group even considers shutting off some servers which are not essential.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For terminals and computers used in business operations, the Group requires employees to set the equipment in sleep or standby mode when idle. When the equipment is not operating for a long time, its power supply will be completely shut off for power saving.

Green Procurement Policy

When complying with the Group's operation requirements and pricing concern, preference is given to suppliers who are competent to provide environmentally friendly products and/or services, including those materials or services with environmental certifications, recycled products, reusable or recyclable materials, products that do not contain toxic or hazardous substances, equipment that can raise energy and water efficiency, and other products/equipment that comply with the environmental related regulations. For enhancement of the policy effectiveness, the Group provides relevant information to employees to help them understand the impact of procurement activities on the environment; also encourages suppliers and contractors to provide environmentally friendly products and services at competitive prices.

3.2 Social

3.2.1 Employment

The Group adheres to local employment regulations and believes that employees are an important cornerstone of the Group's steady development. Therefore, in addition to complying with the local employment regulations, the Group has also developed a series of employment policies to address recruitment, employee activities, wage adjustment, promotion, termination of employment, and equal opportunities (there are no discriminatory arrangements or decisions because of gender, marital status, physical disability, age, ethnicity, family status, sexual orientation, nationality, religion, etc.) to ensure that the Group's employees are treated in a fair and reasonable manner. In 2016, the Group did not find any unlawful cases related to employment or unfair treatment.

Although there is no collective bargaining policy nor is bound to any collective bargaining contract, the management emphasises to maintain a clear and constructive dialogue on corporate matters. This commitment is included in the written policies on remuneration, working hours, employee benefits, employee training, health and safety, complaint handling and whistle-blowing mechanisms.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is convinced that the business success ties with dedicated and motivated employees. As of 31 December 2016, the distribution of the number of employees covered by this report in Hong Kong and throughout China is as follows:

	Kaixin Jiuhao business	Kingworld (Beijing) business	Director	Hong Kong Headquarters
Total Number of Employees	24	124	7	9
Male	16	98	4	3
Female	8	26	3	6

Recruitment and Promotion

The Group ensures that each job applicant has equal rights of recruitment and will not be refused in employment due to factors such as gender, age or ethnicity. Employees are assessed in accordance with the requirements of the position, and will not be discriminated against other factors such as physical disability and marital status. Similarly, promotion decisions do not take into consideration of discrepancies in factors like gender, age, religion, ethnicity, etc., and promotion decisions will only based on the employee's knowledge, skills, experience and performance. The Group is committed to safeguarding the fundamental rights and interests of employees in the workplace and compliance with the regulations related to anti-discrimination and equal employment.

Wages and Benefits

The Group ensures that the wage of every employee meets the legal minimum requirements defined by the local government and purchases social insurance for employees under the local employment regulations. Assessment of labour market situations is conducted on annual basis and wage adjustment will be based on the assessment in a reasonable and legal manner for reward to employee's contribution to the Group. In addition to wages, the Group abides by entitlement to employees on statutory holidays and paid annual leave, and also provides benefits other than those required by law, including lunch allowance, overtime meal allowance, and bonus paid leave. Whenever employment termination is required, the Group is committed to not violating the local laws and regulations.

During the reporting period, the Group did not find any complaints or unlawful case related to discrimination and other employment rights.

3.2.2 Health and Safety

The Group is very concerned on the occupational health and safety of employees, and therefore formulated all-round procedures and code of practices for mitigation of safety risks, with the ultimate goal to build up a zero-accident working environment.

Workplace Safety Management

In the office and work areas, relevant safety procedures and operating instructions are posted to help employees understand the key points of safe operations. For positions with relatively high risks, employees are provided with the appropriate personal protective equipment for prevention of occupational illness and work injuries. Moreover, the Group strictly monitors the legal compliance status of the workplace, and equips fire extinguishers and other suitable fire equipment, as well as performs regular safety checks. Safety warning signs are posted in the appropriate areas to remind various risks from fire, electricity, chemicals, etc.

Employee Safety Training

The Group provides appropriate occupational health and safety training for employees, including introduction of safety warning signs in work areas to raise employees' safety awareness so that they can identify safety risks and stay vigilant in workplaces of high risks. The Group also organises employees to go through fire and emergency drills on a regular basis to familiarise them with the evacuation routes at the time of danger.

In addition to taking care of the Group's employees, the Group also conducts safety supervision to the working practices of the contractors within the Group in order to round out the management of occupational health and safety.

Work and Life Balance

The Group is striving to maintain physical and mental health of employees, and is much concerned the balance between work and life of employees. Therefore, the Group is committed to not forcing employees to work overtime. To help employees relax and balance their working pressure, the Group regularly organises recreational activities to help employees release stress, including birthday parties of employees, sports and fitness activities, and team building activities. These activities enrich employees' lives beyond of their daily work.

During the reporting period, no violation was found against the local regulations related to occupational health and safety.

3.2.3 Development and Training

The Group's business involves the development of high-tech on-line products as well as mature and efficient processes, so it requires strict monitoring of project development time. Consequently, the Group is convinced that the quality of its employees is the upmost important element to sustain business development and to increase profitability, and thus striving to allocate resources for development of employee competence, including the provision of adequate employee training to enhance their technical capability, safety awareness and operational requirements. The Group's training provision includes both internal and external routes, with the goal to raise the employees' business skills, acquire additional knowledge, and explore ideas. These include various types of internal corporate trainings, external trainings hired by the Group such as workshops, technical trainings, exhibitions, seminars, etc. and sponsorship to employees for attendance of trainings organised by professional institutions.

In addition to classroom training, on-the-job training is also provided. The Group assigns experienced employees to offer job guidance for junior employees, together with regular training and supervision to employees. Also the Group develops career development plans for employees according to the Group's business and project development strategies in order to promote the sustainable development of the Group's business.

3.2.4 Labour Standards

The Group strictly prohibits the employment of child labour or forced labour, and is committed to employ employees aged 18 or above and will not force employees to work involuntarily in any way including involuntary overtime work.

During the reporting period, no child labour or forced labour was employed.

3.2.5 Supply Chain Management

For complete management in the procurement of materials and outsourcing services, the Group has developed the code of conduct to govern the suppliers of materials and services for ensuring compliance with the Group's specified product requirements.

For supplier selection, the Group leverages the quality of supplier's product/service and the supplier's corporate social responsibility. Assessment of corporate social responsibilities covers environmental protection, occupational safety and health, community participation and staff employment status, etc. During procurement of key items, the Group even considers choosing suppliers who have certifications or awards related to social responsibility.

For monitoring of suppliers' continuous compliance, the Group assesses key suppliers regularly against the corporate social responsibility status of and other requirements defined by the Group, including compliance with product/service quality and code of conduct. The Group's regular assessment could be in the form of questionnaires, written confirmations or onsite inspections to evaluate the suppliers' performance in fulfilment of the Group's requirements.

3.2.6 Product Responsibility

The Group assures a stable technical architecture for deployment of web games developed by the Group, as well as the server technology for 24 hour/7 day continuous operation in both client side and web game terminal. For product quality assurance, all products must go through rigorous testing before they go online, and only products that fully meet all the testing requirements can be released to the market.

In addition to assuring product quality, the Group is committed to dissemination of the correct information related to product. This provides real and accurate product information to customers, and avoids misleading customers at the time of purchase. The Group also ensures that products do not contain any pornographic or bad ideology in order to prevent adverse effects on the atmosphere of society.

In the course of game design, the Group strictly respects intellectual property rights, and is committed not to plagiarise the specifications or patents of other companies, not to purchase pirated products, and not to use unauthorised photos or designs, etc. During the phases of game development and market release, the Group also develops measures to protect the intellectual property rights of own products, including patent applications and the implementation of information security management measures.

The Group has established a highly efficient and secure online gaming platform, which allows smooth running on both desktop and the popular mobile platforms like Apple and Android, and prevents the disclosure of the gaming customer's private information.

Also the Group has established a robust data collection and analysis system, which can quickly address all kinds of online emergencies. To strengthen customer confidence in the Group's products, the Group has developed comprehensive after-sales channels such as hotline, WeChat, QQ, e-mail, etc. for receiving customer's inquiry and providing technical support to customer. These channels help customers tackle the emergency situations at the time of gaming or product quality issues. Upon receipt of customer inquiry, the operator and the customer service representative will process it in a timely manner.

During the reporting period, no unlawful case or customer complaint related to products was found.

3.2.7 Anti-corruption

The Group designates qualified personnel and functional departments to support business which mainly focuses on project research and development. For effective supervision of personnel assignment, the Group strictly enforces the anti-corruption policy according to laws and implements the relevant measures.

All employees of the Group are not allowed to give bribes to government officials and representatives of commercial organisations, and they are also prohibited from accepting any form of bribery.

The Group has established a whistle-blowing reporting mechanism and has a designated disciplinary committee, which is responsible for receiving and handling the reported incidents. All reported cases are filed and handled in a confidential manner.

For departments or positions with a higher risk of corruption, the Group strengthens employee awareness by training provision and develops channel for employees to declare conflict of interest.

For enhancing supervision, according to the type of contracted business the corresponding requestor initiates the application for approval, which is then submitted to the corresponding authorised supervisor for approval. Service contracts of different amounts would be approved by different levels of authorised personnel.

The Group hires an independent auditor to audit the financial accounts for assuring the accuracy of the Group's ledgers. This strengthens the internal financial control and supervision for protection of shareholders' interests.

During the reporting period, no unlawful case or complaint related to corruption was found.

3.2.8 Community Investment

The Group is striving to participate in community activities which will help build the positive image of industry and the Group, and also encourages employees to participate in charitable and fundraising activities. Our partnership includes community groups, charity organizations, government agencies and other local stakeholders.

Under the vigorous development of internet business, online fraud is increasing and the Group took the initiative to educate the public on the internet against online fraud. This initiative aims to protect the interests of internet customers and to enhance the positive image of the internet business.

In addition to the internet business, the Group also supports the promotion of domestic football industry. The Group established a football team which actively participated in various football events, aiming to raise the public's passion in football as well as to support the national strategy on football industry development.

In 2016, the Group participated in the donation event of "Dress Pink Day" organised by the Hong Kong Cancer Fund. On the day of the event, the Group's employees of Hong Kong headquarters office dressed in pink for supporting the Fund's activities to raise public awareness on breast cancer and to support people who were suffering from breast cancer.

INDEPENDENT AUDITOR'S REPORT

RSM Hong Kong

29th Floor, Lee Garden Two, 28 Yun Ping Road,
Causeway Bay, Hong Kong

T +852 2598 5123
F +852 2598 7230

www.rsmhk.com

中瑞岳華(香港)會計師事務所

香港銅鑼灣恩平道二十八號
利園二期二十九字樓

電話 +852 2598 5123
傳真 +852 2598 7230

www.rsmhk.com

TO THE SHAREHOLDERS OF NEW SPORTS GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of New Sports Group Limited ("the Company") and its subsidiaries (the "Group") set out on pages 71 to 164, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter we identified is:

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill and other intangible assets impairment assessment *Refer to Notes 21 and 22 to the consolidated financial statements* The Group has goodwill of HK$249,914,000 after an impairment loss and other intangible assets of HK$872,317,000 after an impairment loss arising from the acquisitions of Heroic Coronet Limited ("Heroic Coronet"), Kingworld Holdings Limited ("Kingworld Holdings") and Key Rich Corporation Limited ("Key Rich") in 2015 and Yue Jin Asia Limited ("Yue Jin Asia") in 2016. For the purpose of impairment testing, the goodwill and other intangible assets are allocated to CGUs. Those CGUs which include goodwill are tested for impairment at least annually. Management has concluded that impairment losses on goodwill of HK$702,396,000 and other intangible assets of HK$108,659,000 were recognised for the year then ended. This conclusion was based on value in use models that required significant management judgment in making assumptions about future revenues, profit margins and growth rates and in selecting an appropriate market discount rate.	Our procedures included: — Evaluating the independent external valuer's competence, capability and objectivity; — Assessing the integrity of the value in use models; — Challenging the reasonableness of management's key assumptions based on our knowledge of the business and industry; — Reconciling input data to supporting evidence, such as approved budgets and considering the historical accuracy of those budgets; — Assessing the appropriateness of the discount rates used with the assistance of our internal valuation specialists; — Considering the potential impact of reasonably possible downside changes in the key assumptions; and — Assessing the adequacy of the impairment disclosures in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION AND AUDITOR'S REPORT THEREON

The directors are responsible for the Other Information. The Other Information comprises all the information in the Company's 2016 annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidation financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information identified above and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the Other Information, we conclude that there is a material misstatement of the Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibility for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Liu Eugene.

RSM Hong Kong
Certified Public Accountants
Hong Kong
24 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Continuing operations			
Revenue	8	**155,207**	502,980
Cost of services		**(109,068)**	(429,669)
Gross profit		**46,139**	73,311
Distribution costs		**(3,839)**	–
Administrative expenses		**(78,124)**	(132,209)
Research and development expenses		**(36,121)**	(13,577)
Fair value gain/(loss) on contingent consideration payable	33	**2,557**	(51,750)
Fair value gain on contingent consideration receivable	27	**45,841**	–
Fair value gain on put option	27	**118**	–
Impairment on goodwill	21	**(560,709)**	–
Impairment on other intangible assets	22	**(108,659)**	–
Other income, gains/(losses)	9	**(15,925)**	92,722
Loss from operations		**(708,722)**	(31,503)
Finance costs	11	**(60,931)**	(19,590)
Loss before tax		**(769,653)**	(51,093)
Income tax expense	12	**(2,950)**	(15,228)
Loss for the year from continuing operations	13	**(772,603)**	(66,321)
Discontinued operation			
Loss for the year from discontinued operation	17	**(147,568)**	–
Loss for the year		**(920,171)**	(66,321)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences arising on translating foreign operations		**(82,021)**	(45,124)
Exchange differences reclassified to profit or loss on disposal of subsidiaries		**-**	(3,873)
Exchange differences reclassified to profit or loss on deregistration of an associate		**-**	269
Other comprehensive income for the year, net of tax		**(82,021)**	(48,728)
Total comprehensive income for the year		**(1,002,192)**	(115,049)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	**2016 HK$'000**	2015 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(861,582)**	(76,401)
Non-controlling interests		**(58,589)**	10,080
		(920,171)	(66,321)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(942,743)**	(120,962)
Non-controlling interests		**(59,449)**	5,913
		(1,002,192)	(115,049)
Loss per share	*19*		
From continuing and discontinued operations			
— Basic		**HK5.628 cents**	HK0.575 cents
From continuing operations			
— Basic		**HK4.664 cents**	HK0.575 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	20	**49,534**	6,947
Goodwill	21	**249,914**	712,622
Other intangible assets	22	**872,317**	165,197
Deposits paid for property, plant and equipment		**19,773**	19,919
Deposits paid for investment properties	23	**216,144**	–
Deposits paid for acquisitions of subsidiaries	25	**–**	77,584
Other deposits	26	**40,291**	720
Derivative financial assets	27	**6,448**	–
Deferred tax assets	36	**24,244**	–
		1,478,665	982,989
Current assets			
Trade and other receivables	28	**399,370**	184,928
Amount due from a director	45	**–**	15,127
Current tax assets		**937**	1,001
Derivative financial assets	27	**45,841**	–
Bank and cash balances	29	**473,499**	419,212
		919,647	620,268
Current liabilities			
Borrowings	30	**127,851**	21,485
Convertible bonds	31	**200,596**	258,576
Trade and other payables	32	**154,830**	91,066
Contingent consideration payable	33	**–**	169,500
Deferred revenue	34	**4,160**	5,478
Current tax liabilities		**24,897**	27,558
		512,334	573,663
Net current assets		**407,313**	46,605
Total assets less current liabilities		**1,885,978**	1,029,594

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Consideration payable	35	**91,010**	–
Contingent consideration payable	33	**255,199**	–
Deferred revenue	34	**213**	1,181
Deferred tax liabilities	36	**102,544**	14,863
		448,966	16,044
NET ASSETS		**1,437,012**	1,013,550
Capital and reserves			
Share capital	37	**85,130**	36,533
Reserves	39(a)	**1,320,577**	907,065
Equity attributable to owners of the Company		**1,405,707**	943,598
Non-controlling interests		**31,305**	69,952
TOTAL EQUITY		**1,437,012**	1,013,550

Approved by the Board of Directors on 24 March 2017 and are signed on its behalf by:

Zhang Xiaodong
Director

Xia Lingjie
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000 (Note 39(b)(i))	Share redemption reserve HK$'000 (Note 39(b)(ii))	Capital reserve HK$'000 (Note 39(b)(iii))	Other reserve HK$'000 (Note 39 (b)(iv))	General reserve fund HK$'000 (Note 39(b)(v))	Convertible bonds reserve HK$'000 (Note 39(b)(vi))	Shareholder's contribution HK$'000 (Note 39(b)(vii))	Translation reserve HK$'000 (Note 39(b)(viii))	Share options reserve HK$'000 (Note 39(b)(ix))	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015	32,896	242,689	2,269	10,657	5,078	28,639	–	4,118	110,421	6,419	194,178	637,364	6,100	643,464
Total comprehensive income for the year	–	–	–	–	–	–	–	–	(44,561)	–	(76,401)	(120,962)	5,913	(115,049)
Acquisition of subsidiaries (Note 41(a))	–	–	–	–	–	–	–	–	–	–	–	–	64,835	64,835
Acquisition of non-controlling interests (Note 41(d))	–	–	–	–	–	–	–	–	–	–	(1,758)	(1,758)	(6,896)	(8,654)
Disposal of a subsidiary	–	–	–	–	–	(812)	–	–	–	–	812	–	–	–
Equity component of convertible bonds (Note 31)	–	–	–	–	–	–	43,805	–	–	–	–	43,805	–	43,805
Share based payments	–	–	–	–	–	–	–	–	–	58,931	–	58,931	–	58,931
Issue of shares on exercise of share options (Note 37(c))	237	18,840	–	–	–	–	–	–	–	(6,067)	–	13,010	–	13,010
Transfer of share options reserve upon lapse of share options	–	–	–	–	–	–	–	–	–	(352)	352	–	–	–
Conversion of convertible bonds (Note 31)	100	10,202	–	–	–	–	(1,323)	–	–	–	–	8,979	–	8,979
Issue of shares on placement (Note 37(e))	1,675	155,654	–	–	–	–	–	–	–	–	–	157,329	–	157,329
Issue of shares on acquisition of subsidiaries (Note 37(f))	1,625	145,275	–	–	–	–	–	–	–	–	–	146,900	–	146,900
Changes in equity for the year	3,637	329,971	–	–	–	(812)	42,482	–	(44,561)	52,512	(76,995)	306,234	63,852	370,086
Balance at 31 December 2015	36,533	572,660	2,269	10,657	5,078	27,827	42,482	4,118	65,860	58,931	117,183	943,598	69,952	1,013,550
At 1 January 2016	36,533	572,660	2,269	10,657	5,078	27,827	42,482	4,118	65,860	58,931	117,183	943,598	69,952	1,013,550
Total comprehensive income for the year	–	–	–	–	–	–	–	–	(81,161)	–	(861,582)	(942,743)	(59,449)	(1,002,192)
Contribution by a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	37,441	37,441
Dividend paid to non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	–	–	(16,639)	(16,639)
Share based payments	–	–	–	–	–	–	–	–	–	9,154	–	9,154	–	9,154
Transfer of share options reserve upon lapse of share options	–	–	–	–	–	–	–	–	–	(49,811)	49,811	–	–	–
Redemption of convertible bonds (Note 31)	–	–	–	–	–	–	(17,355)	–	–	–	17,355	–	–	–
Issue of shares on subscription (Note 37(g))	30,454	724,807	–	–	–	–	–	–	–	–	–	755,261	–	755,261
Issue of shares on placement (Note 37(e))	10,220	240,701	–	–	–	–	–	–	–	–	–	250,921	–	250,921
Issue of shares on acquisition of subsidiaries (Note 37(f))	7,923	381,593	–	–	–	–	–	–	–	–	–	389,516	–	389,516
Changes in equity for the year	48,597	1,347,101	–	–	–	–	(17,355)	–	(81,161)	(40,657)	(794,416)	462,109	(38,647)	423,462
Balance at 31 December 2016	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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax			
Continuing operations		**(769,653)**	(51,093)
Discontinued operation		**(147,568)**	–
		(917,221)	(51,093)
Adjustments for:			
Loss on deregistration of an associate		**–**	418
Interest income		**(167)**	(957)
Gain on disposal of subsidiaries	*41(d)*	**–**	(76,400)
Finance costs	*11*	**60,931**	19,590
Amortisation of other intangible assets	*22*	**60,991**	52,928
Depreciation of property, plant and equipment	*20*	**3,824**	7,050
(Gain)/loss on disposal of property, plant and equipment	*13*	**(26)**	1,053
Property, plant and equipment written off		**957**	–
Fair value (gain)/loss on contingent consideration payable	*33*	**(2,557)**	51,750
Fair value gain on contingent consideration receivable	*27*	**(45,841)**	–
Fair value gain on put option	*27*	**(118)**	–
Share-based payments	*40*	**9,154**	58,931
Bad debts written off	*9*	**37,318**	6,538
Impairment on goodwill	*21*	**702,396**	–
Impairment on other intangible assets	*22*	**108,659**	–
Exchange gain unrealised		**(9,894)**	(353)
Operating profit before working capital changes		**8,406**	69,455
Decrease/(increase) in trade and other receivables		**38,758**	(70,563)
Increase in other deposits		**(39,571)**	–
Decrease in deferred revenue		**(5,051)**	(279)
Decrease in amount due from a related company		**–**	11,422
Decrease in trade and other payables		**(3,310)**	(7,681)
Cash (used in)/generated from operations		**(768)**	2,354
Income tax paid		**(11,792)**	(6,197)
Interest received		**167**	608
Interest paid		**(15,555)**	–
Net cash used in operating activities		**(27,948)**	(3,235)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of short term investments		–	(136,341)
Loan repaid from the vendor of a subsidiary		–	18,643
Decrease of term deposits		–	19,790
Decrease/(increase) in amount due from a director		16,639	(6,313)
Purchases of property, plant and equipment		(1,494)	(16,454)
Acquisition of subsidiaries	41(f)	(675,704)	(318,871)
Disposal of subsidiaries	41(e)	(12)	–
Deposits paid for acquisition of property, plant and equipment		(1,118)	(19,919)
Deposit paid for acquisition of investment properties		(12,318)	–
Deposits paid for acquisitions of subsidiaries		(195,590)	(27,584)
Proceeds from disposal of short term investments		–	236,779
Proceeds of deregistration of an associate		–	2,581
Interest received for short term investments		–	349
Net cash inflow from disposal of subsidiaries	41(d)	–	62,314
Proceeds from disposal of property, plant and equipment		649	128
Purchase of other intangible assets		(25,654)	–
Net cash used in investing activities		(894,602)	(184,898)
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of non-controlling interests		–	(8,654)
Dividends paid to a non-controlling shareholder of a subsidiary		(16,639)	–
Proceeds from issue of convertible bonds	31	–	291,770
Proceeds from issue of corporate bonds	30	89,729	–
Redemption of convertible bonds	31	(100,000)	–
Repayment of borrowings		(21,485)	–
Borrowings raised		35,122	–
Proceeds from issue of shares on exercise of share options	37(c)	–	13,010
Proceeds from issue of shares on subscription	37(g)	755,261	–
Proceeds from issue of shares on placements	37(e)	250,921	157,329
Net cash generated from financing activities		992,909	453,455
NET INCREASE IN CASH AND CASH EQUIVALENTS		70,359	265,322
CASH AND CASH EQUIVALENTS AT 1 JANUARY		419,212	176,642
Effect of foreign exchange rate changes		(16,072)	(22,752)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		473,499	419,212
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		473,499	419,212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business in Hong Kong is Unit 2602, 26/F., Lippo Centre, Tower 1, No. 89 Queensway, Admiralty, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

On 31 December 2015, the Group acquired the entire equity interest in Kingworld Holdings. A series of contractual agreements (the "Kingworld Control Agreements") was entered into between a wholly-owned subsidiary incorporated in the People's Republic of China (the "PRC"), Kingworld Wuxian (Beijing) Sports Technology Co., Ltd. ("Kingworld Wuxian"), Kingworld (Beijing) Technology Co., Ltd. ("Kingworld Beijing"), Mr. Zhou Xu and Ms. Xu Rong who are the legal shareholders of Kingworld Beijing.

On 31 December 2015, the Group acquired the entire equity interest in Key Rich. A series of contractual agreements (the "Key Rich Control Agreements") was entered into between a wholly-owned subsidiary incorporated in the PRC, Shanghai Xuanyue Business Consulting Co., Ltd. ("Shanghai Xuanyue"), Chongqing Quanben Investment Consulting Co., Ltd. ("Chongqing Quanben"), and Ms. Wang Hui who is the registered owner of Chongqing Quanben.

The Kingworld Control Agreements and Key Rich Control Agreements (collectively, "Control Agreements") enable the Group, through Kingworld Wuxian and Shanghai Xuanyue, to control over Kingworld Beijing and Chongqing Quanben (collectively, "Structured Subsidiaries") respectively with particulars as follows:

— exercise effective financial and operational control over the Structured Subsidiaries;

— exercise owners' voting rights of the Structured Subsidiaries;

— receive substantially all of the economic interest returns generated by the Structured Subsidiaries in consideration for the business supports, technical and consulting services provided by the Group;

— obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Structured Subsidiaries from the respective owners at a minimum purchase price permitted under the PRC laws and regulations, and all or part of the assets of the Structured Subsidiaries at the net book value of such assets or such minimum purchase price permitted under the PRC laws and regulations. The Group may exercise such options at any time until it has acquired all equity interests and/or all assets of the Structured Subsidiaries; and

— obtain pledges over the entire equity interests of the Structured Subsidiaries from their respective owners as collateral security for all of the Structured Subsidiaries' payments due to the Group under the Control Agreements.

1. GENERAL INFORMATION *(Continued)*

The Group does not have any equity interests in the Structured Subsidiaries. However, as a result of the Control Agreements, the Group has rights to variable returns from its involvement with the Structured Subsidiaries and has the ability to affect those returns through its power over the Structured Subsidiaries and is considered to control the Structured Subsidiaries. Consequently, the Company regards the Structured Subsidiaries as indirect subsidiaries for accounting purpose.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 24 to the consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

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

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2016. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

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

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

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

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

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

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

HKFRS 9 Financial Instruments

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

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

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

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

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

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

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

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

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

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces all existing revenue standards and interpretations.

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

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

1. Identify the contract with a customer

2. Identify the performance obligations in the contract

3. Determine the transaction price

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

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

The standard also includes comprehensive disclosure requirements relating to revenue.

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

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

HKFRS 16 Leases

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

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

As disclosed in Note 44, the Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to HK$19,540,000 as at 31 December 2016. The Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from the future operating leases commitments after taking into account the transition reliefs available in HKFRS 16 and the effects of discounting.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combination and goodwill *(Continued)*

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at fair value at subsequent reporting dates with the corresponding gain or loss being recognised in profit or loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's presentation and functional currency. The functional currency of the principal operating subsidiaries of the Group is Renminbi ("RMB"). The directors consider that choosing HK$ as the presentation currency best suits the needs of the shareholders and investors.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation *(Continued)*

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Property, plant and equipment

Property, plant and equipment, held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment *(Continued)*

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Office equipment	10%–33⅓%
Motor vehicles	20%–25%
Yacht	10%–25%
Leasehold improvements	Over the lease term

The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Operating leases

The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Other intangible assets

(i) Internally-generated intangible assets — Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's game operation is recognised only if all of the following conditions are met:

— An asset is created that can be identified (such as software and new processes);

— It is probable that the asset created will generate future economic benefits;

— The development cost of the asset can be measured reliably;

— The technical feasibility of completing the intangible asset so that it will be available for use or sale;

— The intention to complete the intangible asset and use or sell it; and

— The availability of adequate technical, financial and other resources to complete the development to use or sell the intangible asset.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

(ii) Intangible assets acquired separately — Exclusive rights for operation of sports apps, non-competition right and copyrights

Exclusive rights for operation of sports apps, non-competition right and copyrights are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated at rates sufficient to write off their cost over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Exclusive rights for operation of sports apps	1–3 years
Non-competition right	5 years
Copyrights	3 years

(iii) Football players' registration

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Other intangible assets *(Continued)*

(iv) Licenses

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

(v) Intangible assets acquired separately — Operating right for operation of a marine sports base and a sailing school

Shenzhen Yuejin Sports Company Limited ("Yuejin Sports"), which became an indirect-wholly owned subsidiary of the Company on 28 December 2016, has entered into an agreement dated 27 August 2014 (the "Operation Entrustment Agreement") with Shenzhen Dapeng New District Management Committee, pursuant to which the operation of Shenzhen Marine Sports Base and Sailing School would be entrusted to Yuejin Sports for a period of twenty years (the "Operating Right"). Under the Operating Right, Yuejin Sports has developed the operations of a yacht club ("Yacht Club Business") and a school in provision of international education services ("School Business").

The Operating Right is initially measured at fair value upon acquisition of Yue Jin Asia and subsequently less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over an initial period of 20 years.

(g) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(h) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial assets *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either financial assets classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these financial assets are recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(i) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(k) Non-current assets held for sale and discontinued operations

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the asset's or disposal group's previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group (i.e. the operations and cash flows of which can be clearly distinguished from the rest of the Group) that either has been disposed of, or is classified as held for sale, and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Non-current assets held for sale and discontinued operations *(Continued)*

Classification as a discontinued operation occurs upon disposal or when the component meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the component is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises:

— The post-tax profit or loss of the discontinued operation; and

— The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(l) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(n) Convertible bonds

Convertible bonds which entitle the holder to convert the bonds into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consisting of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity as convertible bonds reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion related to the equity component is charged directly to equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(i) Provision of outsourcing software development services and technical support services

Revenue from provision of outsourcing software development services and technical support services are recognised when the services are provided in the normal course of business, net of discounts and sales related taxes.

(ii) Online game operation

The Group operates its online games through cooperation with various third-party game distribution platforms including online application stores, web-based and mobile game portals and derives its revenue from sales of in-game currency and items.

The Group's online games allow players to play for free. Players can purchase in-game virtual currency, which can be used to obtain in-game items and premium features, commonly known as virtual items, to enhance their game-playing experience.

Players purchase the Group's in-game currency through the platforms' own charging systems by remitting the payment directly to the platforms. After deducting the commission charged by the platforms, the platforms remit the rest of net proceeds to the Group. The portion of the proceeds received by the Group is calculated based on the standard price of in-game virtual currency sold and agreed share ratio in contracts with the platforms.

The Group is responsible for providing ongoing updates of new contents, technical support for the operation of the games. The platforms are responsible for distribution, marketing, platform maintenance, payer authentication and payment collections from players.

Certain third-party platforms like mobile game portals offer various marketing discounts from time to time to players to encourage spending on these platforms. The actual prices paid by individual players may be lower than the standard prices of virtual currency. Such marketing discounts are neither available to be tracked reliably nor borne by the Group. As such, the Group is not able to make a reasonable estimate of the gross revenue (the actual amounts paid by the players). For revenue related to these platforms, it is measured at the fair value of the consideration received or receivable, which is the net amount from these third-party platforms.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Revenue recognition *(Continued)*

(ii) Online game operation *(Continued)*

The in-game items and premium features, which are purchased directly or by virtual currency, are considered value-added services and rendered over a pre-specified period or throughout the whole game life. Once the players purchase virtual currency, the proceeds are recorded in deferred revenue and recognised in revenue after the virtual currency is used to purchase in-game items or premium features which is either upon consumption or ratably over the practical usage period predetermined in the game or throughout the estimated user life of paying players as appropriate. The Group monitors the operational statistics and usage patterns of the virtual items.

Most of the Group's in-game items and premium features were consumable and consumed upon purchase immediately. As such, the Group's deferred revenue stands for the balance of virtual currency not yet spent.

(iii) Licensing revenue

The Group receives royalty income from third-party licencees in exchange for the exclusive operation of the Group's self-developed games in certain regions and providing related technical support. The royalty fees include an upfront fee and, in certain cases, an additional fee during the contracted license period, which is determined based on an agreed amount when accumulated virtual currency purchased by the players with accounts registered with the third parties exceeds certain amounts. The upfront fee is recognised ratably over the contracted license period. The additional royalty fee is recognised upon the actual purchase by the players exceeds the agreed amount in contract.

(iv) Provision of outsourcing game development services

Revenue from provision of outsourcing game development services are recognised when the services are provided in the normal course of business, net of discounts and sales related taxes.

(v) Sale of advertising spaces

Revenue from advertising spaces comprise mainly display based and performance based advertisements.

Revenue from displaying advertisements to the users of online games, mobile applications and other online platforms, and from sales of advertising spaces are recognised ratably over the contracted period, with advertisers and their advertising agencies, in which the advertisements are displayed.

Revenue from performance based advertisements is recognised based on actual performance measurement. The Group recognise the revenue from the delivery of pay-for click or pay-for instant display advertisements for advertisers to users of the Group based on a per-click basis when the users click on the content, or on a per-display basis, when the advertising contents are displayed to users.

(vi) Publication of magazines

Revenue from the sales of magazines is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the magazines are delivered and the title has passed to the customers.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Revenue recognition *(Continued)*

(vii) Consulting services income

Revenue from consulting services is recognised as services are rendered.

(viii) Tuition fees

Tuition fees from school are generally paid in advance prior to the beginning of each academic year, and are initially recorded as deferred revenue. Tuition fees are recognised as revenue proportionately over the year. The portion of tuition payments received from students but not yet earned is recorded as deferred revenue and is reflected as a current liability as such amounts represent revenue that the school expects to earn within one year. The academic year is generally from September to August of the following year.

(ix) Yacht parking fees

Yacht parking fees are recognised on a straight-line basis over the lease term.

(x) Rental income

Rental income is recognised on a straight-line basis over the lease term.

(xi) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(r) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

(t) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(u) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(v) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(w) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

In addition, for trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(y) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(z) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control Agreements

The Group conducts its provision of online game services and Peer-to-Peer ("P2P") financial intermediary services through the Structured Subsidiaries. The Group does not have any equity interests in the Structured Subsidiaries. The directors of the Company assessed whether or not the Group has control over the Structured Subsidiaries based on whether the Group has the power over the Structured Subsidiaries, has right to variable returns from its involvement with the Structured Subsidiaries and has the ability to affect those returns through its power over the Structured Subsidiaries. After assessment, the directors of the Company concluded that the Group has control over the Structured Subsidiaries as a result of the Control Agreements and accordingly, the Group has consolidated the financial position and results of the Structured Subsidiaries in the consolidated financial statements for the year ended 31 December 2016.

Nevertheless, the Control Agreements may not be as effective as direct legal ownership in providing the Group with direct control over the Structured Subsidiaries and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Structured Subsidiaries. The directors of the Company, based on the advice of their legal counsels, consider that the Control Agreements are in compliance with the relevant PRC laws and regulations and are legally enforceable.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Income taxes

The Group is subject to income tax in the PRC. Significant estimates are required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was HK$249,914,000 after an impairment loss of HK$702,396,000 was recognised during the year. Details of the impairment loss calculation are provided in Note 21 to the consolidated financial statements.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Impairment of other intangible assets

The Group assesses whether there are any indicators of impairment for other intangible assets at the end of the reporting period. The other intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an other intangible asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Management reassesses the estimation at the end of the reporting period.

The carrying amount of other intangible assets at the end of the reporting period was HK$872,317,000 after an impairment loss of HK$108,659,000 was recognised during the year. Details of the impairment loss calculation are provided in Note 22 to the consolidated financial statements.

Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

As at 31 December 2016, accumulated impairment loss for bad and doubtful debts amounted to HK$37,318,000 (2015: HK$6,538,000).

Fair value of contingent consideration payable

As disclosed in Note 33 to the consolidated financial statements, the fair value of the contingent consideration payable in relation to the acquisition of Yue Jin Asia at the date of acquisition was determined using the Company's share price based on quoted market price and the profit forecast of the subsidiaries. While the fair value of the contingent consideration payable at the end of the reporting period was determined using the Company's share price based on quoted market price and the profit forecast of the subsidiaries. Application of profit forecast or management accounts requires the Group to estimate whether the 2018 Net Profits (as defined in Note 41(f)) is expected to be or has been met.

As at 31 December 2016, the carrying amount of the contingent consideration payable in relation to the acquisition of Yue Jin Asia is HK$255,199,000.

Fair value of contingent consideration receivable

As disclosed in Note 27 to the consolidated financial statements, the fair value of the contingent consideration receivable in relation to the acquisition of Kingworld Holdings at the acquisition date, which is same as the end of the reporting period, was determined using the management accounts of Kingworld Holdings and its subsidiaries. Application of this management accounts requires the Group to estimate whether the 2016 Net Profit (as defined in Note 41(b)) is expected to be met.

As at 31 December 2016, the carrying amount of the contingent consideration receivable in relation to the acquisition of Kingworld Holdings is HK$45,841,000.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities, RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2016, if the HK$ had weakened 5% per cent against RMB with all other variables held constant, consolidated loss after tax for the year would have been HK$6,111,000 (2015: HK$10,969,000) lower, arising mainly as a result of the foreign exchange gain on bank balances and deposits denominated in RMB. If the Hong Kong dollar had strengthened 5% per cent against RMB with all other variables held constant, consolidated loss after tax for the year would have been HK$6,111,000 (2015: HK$10,969,000) higher, arising mainly as a result of the foreign exchange loss on deposits, trade receivables, bank balances and trade payables denominated in RMB.

(b) Credit risk

The Group's credit risk is primarily attributable to its trade receivables and deposits paid for acquisition of subsidiaries. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk on trade receivables and deposits paid for acquisition of subsidiaries by geographical location is mainly in the PRC.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk as 33.0% (2015: 35.7%) and 95.2% (2015: 73.1%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2016					
Borrowings	**131,100**	**–**	**–**	**–**	**131,100**
Convertible bonds	**218,500**	**–**	**–**	**–**	**218,500**
Trade payables	**2,695**	**–**	**–**	**–**	**2,695**
Wages and salaries payables and other payables	**150,479**	**–**	**–**	**–**	**150,479**
Consideration payable	**–**	**–**	**–**	**438,776**	**438,776**
At 31 December 2015					
Borrowings	22,154	–	–	–	22,154
Convertible bonds	114,500	218,500	–	–	333,000
Trade payables	2,760	–	–	–	2,760
Wages and salaries payables and other payables	83,377	–	–	–	83,377

(d) Interest rate risk

The Group's cash flow interest rate risk primarily relates to bank deposits and borrowings bear interests at fixed interest rates and therefore are subject to fair value interest rate risks. The directors of the Company consider the Group's exposure to interest rate risk on fixed bank deposits and bank borrowings is not significant. Hence, no sensitivity analysis is presented.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Categories of financial instruments at 31 December

	2016 HK$'000	2015 HK$'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**789,196**	566,696
Derivative financial assets	**52,289**	–
Financial liabilities:		
Financial liabilities measured at amortised cost	**572,631**	86,138
Financial liabilities at fair value through profit or loss:		
Contingent consideration payable	**255,199**	169,500

(f) Fair values

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

7. FAIR VALUE MEASUREMENTS

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.

7. FAIR VALUE MEASUREMENTS *(Continued)*

Disclosures of level in fair value hierarchy at 31 December 2015 and 2016:

Description	Fair value measurements using: Level 3	
	2016	2015
	HK$'000	HK$'000
Recurring fair value measurements:		
Financial assets		
Derivative financial assets		
Put option (Note 27)	**6,448**	–
Contingent consideration receivable (Note 27)	**45,841**	–
	52,289	–
Financial liabilities		
Contingent consideration payable (Note 33)	**255,199**	169,500

Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2015 and 2016:

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.

7. FAIR VALUE MEASUREMENTS *(Continued)*

Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2015 and 2016: *(Continued)*

For the year end 31 December 2016

Level 3 fair value measurements

Description	Valuation technique	Observable/ unobservable inputs	Range	Effect on fair value for increase of inputs HK$'000	Fair Value 2016 Assets/ (liabilities) HK$'000
Put option	Income approach	The Company's share price	HK$0.01	593	**6,448**
		Profit forecast	10%		
Contingent consideration receivable	Income approach	Management accounts	Not applicable	(174)	**45,841**
		Discount rate	1%		
Contingent consideration payable	Income approach	The Company's share price	HK$0.01	(25,447)	**(255,199)**
		Profit forecast	10%		

For the year end 31 December 2015

Level 3 fair value measurements

Description	Valuation technique	Observable/ unobservable inputs	Range	Effect on fair value for increase of inputs HK$'000	Fair Value 2015 Assets/ (liabilities) HK$'000
Contingent consideration payable	Income approach	The Company's share price	HK$0.01	(7,500)	(169,500)
		Management accounts	Not applicable	Not applicable	–

7. FAIR VALUE MEASUREMENTS *(Continued)*

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

Description	**2016**			
	Assets			**Liabilities**
	Contingent consideration receivable	**Put option**	**Total**	**Contingent consideration payable**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2016	**–**	**–**	**–**	**–**
Acquisition of Yue Jin Asia (Note 41(f))	**–**	**6,330**	**6,330**	**(238,256)**
Fair value gain/(loss) during the year	**45,841**	**118**	**45,959**	**(16,943)**
At 31 December 2016	**45,841**	**6,448**	**52,289**	**(255,199)**

Description	2015
	Liabilities
	Contingent consideration payable
	HK$'000
Acquisition of Heroic Coronet (Note 41(a))	(117,750)
Fair value loss during the year	(51,750)
At 31 December 2015	(169,500)

8. REVENUE

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

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

9. OTHER INCOME, GAINS/(LOSSES)

Continuing operations	2016 HK$'000	2015 HK$'000
Interest income from short term investments	**5**	349
Interest income from bank balances	**160**	608
Rental income	**25**	–
Government subsidies (Note)	**1,290**	8,348
Net foreign exchange gain	**18,753**	14,802
Loss on deregistration of an associate	**–**	(418)
Gain on disposal of subsidiaries (Note 41(d))	**–**	76,400
Bad debt written off	**(37,318)**	(6,538)
Others	**1,160**	(829)
	(15,925)	92,722

Note: Government subsidies include subsidies from local government for the employment of new university graduates of approximately HK$Nil (2015: HK$127,000) and for its exports of outsourcing software development services of approximately HK$337,000 (2015: HK$7,151,000). The Group recognises the government subsidies when it fulfills all the conditions specified in the subsidy notice or relevant law and regulations.

10. SEGMENT INFORMATION

The Group has six operating segments as follows:

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

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

10. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

Year ended 31 December 2016

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

10. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

Year ended 31 December 2015

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

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

The accounting policies of the operating segments are the same as those described in Note 4 to the consolidated financial statements. Segment result represents the profit/(loss) of each segment without allocation of central administration costs, directors' emoluments, fair value gain/(loss) on contingent consideration payable, fair value gain on contingent consideration receivable, fair value gain on put option, impairment on goodwill, other income, gains/(losses) and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

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10. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

At 31 December 2016

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

At 31 December 2015

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

10. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

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

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

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

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

- liabilities payable to the government department such as tax bureau and social security department are allocated to operating segments based on the location of the tax bureau and social security department.

Other segment information

Year ended 31 December 2016

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

10. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

Year ended 31 December 2015

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

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

Geographical information

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

Information about major customers

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

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

11. FINANCE COSTS

Continuing operations	2016 HK$'000	2015 HK$'000
Interest on bank borrowings	**1,055**	–
Interest on corporate bonds	**3,000**	–
Interest on other borrowings	**260**	–
Interest on convertible bonds (Note 31)	**56,520**	19,590
Imputed interest on consideration payable (Note 35)	**96**	–
	60,931	19,590

12. INCOME TAX EXPENSE

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

	2016 HK$'000	2015 HK$'000
Current tax:		
PRC Enterprise Income Tax	**8,444**	7,679
Japan income tax	**–**	7,394
	8,444	15,073
Under/(over)-provision in prior years:		
PRC Enterprise Income Tax	**1,100**	(1,391)
Deferred tax (Note 36):		
Current year	**(6,594)**	1,546
	2,950	15,228

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

Pursuant to relevant laws and regulations in the PRC, a subsidiary in the PRC, Wuxi SinoCom High Technology Software Co., Ltd. (the "SinoCom Wuxi") is exempted from PRC Enterprise Income Tax for the two years from its first profit-making year and thereafter is entitled to a 50% relief from PRC Enterprise Income Tax for the following three years. The subsidiary in the PRC was in its first profit-making year for the financial year ended 31 December 2014 and was therefore entitled to a 50% relief from PRC Enterprise Income Tax for the financial year ended 31 December 2016. However, no provision was made for the financial year ended 31 December 2016 as the subsidiary incurred tax loss in the year.

12. INCOME TAX EXPENSE *(Continued)*

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

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

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

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

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

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

12. INCOME TAX EXPENSE *(Continued)*

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

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

13. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

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

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

Research and development expenses include staff costs of approximately HK$11,404,000 (2015: HK$10,956,000) which are included in the amounts disclosed separately in Note 14 to the consolidated financial statements.

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14. EMPLOYEE BENEFITS EXPENSE

	2016 HK$'000	2015 HK$'000
Employee benefits expense:		
Salaries, bonuses and allowances	**48,933**	266,839
Share-based payments	**6,094**	27,383
Retirement benefit scheme contributions	**7,450**	42,856
	62,477	337,078

The five highest paid individuals in the Group during the year included five directors (2015: five directors) whose emoluments are reflected in the analysis presented in Note 15.

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking						
	Fees HK$'000	Salaries and allowances HK$'000	Estimated money value of other benefits HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Discretionary bonus HK$'000	Housing allowance HK$'000	Total HK$'000
Executive Directors							
Mr. Wang Zhiqiang (Note (c))	–	316	–	–	–	–	316
Mr. Zuo Jian Zhong (Note (e))	–	300	1,308	4	–	–	1,612
Mr. Tang Yau Sing (Note (f))	–	630	1,308	7	–	320	2,265
Mr. Zhang Zhige (Note (g))	–	240	1,307	–	–	–	1,547
Mr. Liu Wei (Note (g))	–	134	1,307	11	–	–	1,452
Mr. Zhang Xiaodong (Note (h))	–	900	–	–	100	–	1,000
Ms. Xia Lingjie (Note (i))	–	274	–	12	20	–	306
Non-executive Director							
Mr. Lau Wan Po (Note (j))	–	225	–	11	25	–	261
Independent Non-executive Directors							
Mr. Chui Man Lung, Everett (Note (n))	210	–	288	11	17	–	526
Mr. Wu Hong (Note (m))	123	–	288	–	–	–	411
Mr. Han Chu (Note (k))	–	–	288	–	–	–	288
Mr. Chen Zetong (Note (l))	140	–	–	7	20	–	167
Ms. He Suying (Note (l))	140	–	–	7	20	–	167
Dr. Tang Lai Wah (Note (l))	140	–	–	7	20	–	167
Total for the year ended 31 December 2016	753	3,019	6,094	77	222	320	10,485

15. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
	Fees HK$'000	Salaries and allowances HK$'000	Estimated money value of other benefits HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Housing allowance HK$'000	Total HK$'000
Executive Directors						
Mr. Wang Zhiqiang (Note (c))	–	1,263	–	–	–	1,263
Mr. Zuo Jian Zhong (Note (e))	–	1,200	5,876	18	–	7,094
Mr. Tang Yau Sing (Note (f))	–	1,263	5,876	20	735	7,894
Mr. Zhang Zhige (Note (g))	–	720	5,876	–	–	6,596
Mr. Liu Wei (Note (g))	–	457	5,876	16	–	6,349
Non-executive Director						
Mr. Kotoi Hirofumi (Note (d))	–	500	–	–	–	500
Independent Non-executive Directors						
Mr. Chui Man Lung, Everett (Note (n))	210	–	1,293	10	–	1,513
Mr. Wu Hong (Note (m))	210	–	1,293	–	–	1,503
Mr. Han Chu (Note (k))	–	–	1,293	–	–	1,293
Total for the year ended 31 December 2015	420	5,403	27,383	64	735	34,005

15. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

Notes:

(a) Neither the chief executive nor any of the directors waived any emoluments during the year (2015: Nil).

(b) Bonus is determined by the Salary Review Committee with reference to the performance of the Group.

(c) Mr. Wang Zhiquiang resigned as the chief executive officer and an executive director of the Company on 27 May 2015 and 1 April 2016.

(d) Mr. Kotoi Hirofumi resigned as a non-executive director of the Company on 25 May 2015.

(e) Mr. Zuo Jian Zhong resigned as an executive director and the chief executive officer of the Company on 1 April 2016.

(f) Mr. Tang Yau Sing resigned as an executive director of the Company on 1 April 2016.

(g) Mr. Zhang Zhige and Mr. Liu Wei were appointed as executive directors of the Company on 1 April 2015 and resigned on 1 April 2016.

(h) Mr. Zhang Xiaodong was appointed as an executive director and the chief executive officer of the Company on 1 April 2016.

(i) Ms. Xia Lingjie was appointed as a non-executive director of the Company on 1 April 2016 and was re-designated as an executive director of the Company on 17 August 2016.

(j) Mr. Lau Wan Po was appointed as an executive director of the Company on 1 April 2016 and was re-designated as a non-executive director of the Company on 18 November 2016.

(k) Mr. Han Chu resigned as an independent non-executive director of the Company on 30 May 2016.

(l) Mr. Chen Zetong, Ms. He Suying and Dr. Tang Lai Wah were appointed as independent non-executive directors of the Company on 30 May 2016.

(m) Mr. Wu Hong resigned as an independent non-executive director of the Company on 30 July 2016.

(n) Mr. Chui Man Lung, Everett resigned as an independent non-executive director of the Company on 20 January 2017.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts of significance to which the Company or any of its subsidiaries was a party and in which the directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(c) The information about loans, quasi-loans and other dealings entered into by the Company or subsidiary undertaking of the Company in favour of directors is as follows:

Name of director	Outstanding amount at the beginning of the year HK$'000	Outstanding amount at the end of the year HK$'000	Maximum outstanding amount during the year HK$'000	Term	Interest rate	Security
Mr. Liu Wei	15,127	–	18,537	Repayable on demand	Nil	Nil

16. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,500 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

The employees of the Group's subsidiary registered in Japan are members of the pension scheme operated by the Japan local government. The subsidiary in Japan is required to contribute certain pre-fixed amounts of contribution, according to the level of income for each employee to the pension scheme to fund the benefits. The only obligation of the Group in respect of the pension scheme is the required contributions under the pension scheme.

17. DISCONTINUED OPERATION

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

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

18. DIVIDENDS

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

19. LOSS PER SHARE

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

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

(a) From continuing and discontinued operations

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

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

(b) From continuing operations

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

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

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

(c) From discontinued operation

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

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20. PROPERTY, PLANT AND EQUIPMENT

	Office equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Yacht HK$'000	Construction in progress HK$'000	Total HK$'000
Cost						
At 1 January 2015	25,663	8,177	8,108	–	–	41,948
Exchange differences	(819)	(416)	(130)	–	–	(1,365)
Additions	14,252	454	1,748	–	–	16,454
Acquisition of subsidiaries (Note 41)	2,338	–	1,712	–	–	4,050
Disposals	(13,935)	(1,019)	(1,397)	–	–	(16,351)
Disposal of subsidiaries (Note 41)	(23,735)	(884)	(7,530)	–	–	(32,149)
At 31 December 2015 and 1 January 2016	3,764	6,312	2,511	–	–	12,587
Exchange differences	(186)	(349)	(67)	5	12	(585)
Additions	592	–	902	–	–	1,494
Acquisition of subsidiaries (Note 41(f))	1,071	40	32,017	3,670	9,912	46,710
Disposals	(521)	(1,192)	–	–	–	(1,713)
Written off	(1,105)	–	(2,042)	–	–	(3,147)
At 31 December 2016	3,615	4,811	33,321	3,675	9,924	55,346
Accumulated depreciation						
At 1 January 2015	19,325	5,499	3,691	–	–	28,515
Exchange differences	(317)	(292)	(58)	–	–	(667)
Charge for the year	3,038	725	3,287	–	–	7,050
Disposals	(12,932)	(917)	(1,321)	–	–	(15,170)
Disposal of subsidiaries (Note 41)	(8,218)	(566)	(5,304)	–	–	(14,088)
At 31 December 2015 and 1 January 2016	896	4,449	295	–	–	5,640
Exchange differences	(80)	(269)	(23)	–	–	(372)
Charge for the year	1,709	395	1,716	4	–	3,824
Disposals	(373)	(717)	–	–	–	(1,090)
Written off	(711)	–	(1,479)	–	–	(2,190)
At 31 December 2016	1,441	3,858	509	4	–	5,812
Carrying amount						
At 31 December 2016	2,174	953	32,812	3,671	9,924	49,534
At 31 December 2015	2,868	1,863	2,216	–	–	6,947

21. GOODWILL

	HK$'000
Cost	
At 1 January 2015	7,308
Arising on acquisition of subsidiaries (Note 41)	723,478
Derecognition of goodwill (Note 41(d))	(7,308)
Exchange differences	(10,856)
At 31 December 2015 and 1 January 2016	712,622
Arising on acquisition of subsidiaries (Note 41(f))	284,553
Exchange differences	(44,865)
At 31 December 2016	952,310
Accumulated impairment	
At 1 January 2015, 31 December 2015 and 1 January 2016	–
Impairment loss recognised in current year	702,396
At 31 December 2016	702,396
Carrying amount	
At 31 December 2016	249,914
At 31 December 2015	712,622

21. GOODWILL *(Continued)*

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

	2016 **HK$'000**	2015 HK$'000
Provision of online game services		
Kingworld Holdings	**73,546**	372,782
Heroic Coronet	**–**	186,423
P2P financial intermediary services		
Key Rich	**2,000**	153,417
Operation of a yacht club		
Shenzhen Dapeng Yacht Club Company Limited ("Dapeng Yacht Club")	**66,287**	–
Provision of international education services		
Shenzhen Dapeng International Education Company Limited ("Dapeng International Education")	**108,081**	–
	249,914	712,622

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

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

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

21. GOODWILL *(CONTINUED)*

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

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

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

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

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

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

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22. OTHER INTANGIBLE ASSETS

	Exclusive rights for operation of sport apps HK$'000	Non-competition right HK$'000	Copyrights HK$'000	Operating Right HK$'000	Licenses HK$'000	Football players' registrations HK$'000	Total HK$'000
Cost							
Arising on acquisition of subsidiaries (Note 41)	27,838	14,955	182,921	–	–	–	225,714
Exchange differences	–	–	(9,687)	–	–	–	(9,687)
At 31 December 2015	27,838	14,955	173,234	–	–	–	216,027
Arising on acquisition of subsidiaries (Note 41(f))	–	–	–	819,081	–	–	819,081
Additions	–	–	–	–	25,654	37,441	63,095
Exchange differences	(1,766)	(948)	(10,987)	954	(1,081)	(1,669)	(15,497)
At 31 December 2016	26,072	14,007	162,247	820,035	24,573	35,772	1,082,706
Accumulated amortisation and impairment losses							
Amortisation for the year	–	–	52,928	–	–	–	52,928
Exchange differences	–	–	(2,098)	–	–	–	(2,098)
At 31 December 2015	–	–	50,830	–	–	–	50,830
Amortisation for the year	10,421	2,925	29,849	364	3,673	13,759	60,991
Impairment loss	–	–	86,066	–	–	22,593	108,659
Exchange differences	(440)	(123)	(8,793)	–	(155)	(580)	(10,091)
At 31 December 2016	9,981	2,802	157,952	364	3,518	35,772	210,389
Carrying amount							
At 31 December 2016	16,091	11,205	4,295	819,671	21,055	–	872,317
At 31 December 2015	27,838	14,955	122,404	–	–	–	165,197

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

22. OTHER INTANGIBLE ASSETS *(Continued)*

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

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

The Group carried out reviews of the respective recoverable amount of its exclusive rights for operation of sport apps, non-competition right and copyrights within online game operations segment in 2016, having regard to the keen competition and shorter than expected game life cycles and the slow growth in number of users for sports apps since launch of the sports apps during the year. The review led to the recognition of an impairment loss of HK$86,066,000 for copyrights that have been recognised in profit or loss. The recoverable amount of HK$31,591,000 for exclusive rights for operation of sport apps, non-competition right and copyrights within online game operations has been determined on the basis of their value in use using discounted cash flow method. The discount rate of exclusive rights for operation of sport apps, non-competition right and copyrights used was 29% (2015: 34%), 29% (2015: 34%) and ranged from 24% (2015: 24%) to 29% (2015: 34%) respectively.

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

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

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

23. DEPOSITS PAID FOR INVESTMENT PROPERTIES

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

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24. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2016 are as follows:

Name	Place of incorporation/ registration and operation	Particular of issued share capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
SinoCom Holdings (BVI) Limited	British Virgin Islands	Ordinary shares US$3,624,502	100%	–	Investment holding
SinoCom Computer System (Beijing) Co., Ltd.	The PRC	Registered capital US$6,040,800	–	100%	Provision of outsourcing software development and technical support services
SinoCom Ideas Holdings Limited ("SinoCom Ideas")	British Virgin Islands	Ordinary shares HK$3,800,000	–	100%	Investment holding
Dalian SinoCom High Technology Software Co., Ltd.	The PRC	Registered capital HK$3,200,000	–	100%	Provision of outsourcing software development and technical support services
SinoCom Shensoft Computer Technology (Shanghai) Company Limited	The PRC	Registered capital US$232,000	–	100%	Provision of outsourcing software development services
SinoCom Shensoft Holdings (BVI) Limited	British Virgin Islands	Ordinary shares US$500,000	–	100%	Investment holding
SinoCom Wuxi	The PRC	Registered capital RMB5,000,000	–	100%	Provision of outsourcing software development and technical support services
Jilin SinoCom Innovative Technology Software Co., Ltd.	The PRC	Registered capital RMB5,000,000	–	100%	Provision of outsourcing software development and technical support services
New Sports Investment Holding Limited	British Virgin Islands	Ordinary share US$1	100%	–	Investment holding
SinoCom Software (Hong Kong) Limited	Hong Kong	Ordinary share HK$1	–	100%	Investment holding
Shenzhen SinoCom Software Co., Ltd.	The PRC	Registered capital HK$5,000,000	–	100%	Inactive

24. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

Name	Place of incorporation/ registration and operation	Particular of issued share capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
Shenzhen Baoxin Sport Industry Limited (“Baoxin Sport”, formerly known as “Shenzhen Qianhai SinoCom Software Development Co., Ltd”)	The PRC	Registered capital RMB300,000,000	–	100%	Investment holding
Baoxin Football Club Co., Ltd. (“”Baoxin Football”)	The PRC	Registered capital RMB100,000,000	–	68%	Operation of a football club in the PRC
Qianhai Sports Group Limited	Hong Kong	Ordinary share HK$1	–	100%	Inactive
Heroic Coronet	British Virgin Islands	Ordinary shares US$100	100%	–	Investment holding
Kingworld Holdings	Republic of Seychelles	Ordinary shares US$1,000	100%	–	Investment holding
New Sports Management Limited	Hong Kong	Ordinary share HK$1	–	100%	Inactive
All Rise Technology Limited	Hong Kong	Ordinary share HK$1	–	100%	Investment holding
Star Creation Development Limited	Hong Kong	Ordinary shares HK$10,000	–	100%	Investment holding
Key Rich	Hong Kong	Ordinary share HK$1	–	100%	Investment holding
Kaixin Jiuhao	The PRC	Registered capital RMB2,200,000	–	65%	Provision of online game services
Hainan Kaixin Software Technology Co., Ltd.	The PRC	Registered capital RMB5,000,000	–	65%	Inactive
Kingworld Beijing	The PRC	Registered capital RMB15,966,030	–	100%	Provision of online game services
Kingworld Wuxian	The PRC	Registered capital HK$40,000,000	–	100%	Provision of technical and consulting services
FFMobile Technology Co., Ltd.	The PRC	Registered capital RMB1,000,000	–	100%	Publication of the Beijing Guoan Football Club magazines

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24. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

Name	Place of incorporation/ registration and operation	Particular of issued share capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
Shanghai Xuanyue	The PRC	Registered capital RMB100,000	–	100%	Provision of investment consulting services
Chongqing Quanben	The PRC	Registered capital RMB20,000,000	–	100%	P2P financial intermediary services and other relevant consultation services
Yue Jin Asia	British Virgin Islands	Ordinary share US$1	–	100%	Investment holding
Nayuan Development Limited	Hong Kong	Ordinary shares HK$10,000,000	–	100%	Investment holding
Yuejin Sports	The PRC	Registered capital RMB600,000,000	–	100%	Investment holding
Shenzhen Ruiteng Enterprise Management Company Limited	The PRC	Registered capital RMB10,000,000	–	100%	Investment and property holding
Shenzhen Qianhai Virdom Education Company Limited	The PRC	Registered capital RMB10,000,000	–	100%	Investment and property holding
Dapeng International Education	The PRC	Registered capital RMB30,000,000	–	100%	Provision of international school education service
Dapeng Yacht Club	The PRC	Registered capital RMB200,000,000	–	100%	Operation of a yacht club
Shenzhen Dapeng Xinqu Virdom International Academy	The PRC	Registered capital RMB5,000,000	–	100%	Provision of international school education services

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

As at 31 December 2016, the bank and cash balances of the subsidiaries of the Group in the PRC denominated in RMB amounted to HK$147,437,000 (2015: HK$83,715,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

The following table shows information on the subsidiaries that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

24. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Kaixin Jiuhao		Baoxin Football	
	2016	2015	**2016**	2015
Principal place of business/country of incorporation	**The PRC**	The PRC	**The PRC**	The PRC
% of ownership interests/voting rights held by NCI	**35%/35%**	35%/35%	**32%/32%**	N/A
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 31 December:				
Non-current assets	**21,055**	317,947	**–**	–
Current assets	**51,410**	107,535	**1,554**	–
Non-current liabilities	**(213)**	(1,181)	**–**	–
Current liabilities	**(47,045)**	(38,015)	**(1,578)**	–
Net assets/(liabilities)	**25,207**	386,286	**(24)**	–
Accumulated NCI	**8,822**	69,952	**22,483**	–
	HK$'000	HK$'000	**HK$'000**	HK$'000
Year ended 31 December:				
Revenue	**37,825**	101,272	**–**	–
(Loss)/profit for the year	**(125,281)**	25,839	**(46,066)**	–
Total comprehensive income	**(127,117)**	20,686	**(46,745)**	–
(Loss)/profit allocated to NCI	**(43,848)**	9,044	**(14,741)**	–
Dividend paid to NCI	**(16,639)**	–	**–**	–
Net cash generated from/(used in) operating activities	**26,165**	14,460	**(1,484)**	–
Net cash used in investing activities	**(34,193)**	(83)	**–**	–
Net (decrease)/increase in cash and cash equivalents	**(8,028)**	14,377	**(1,484)**	–

Kaixin Jiuhao was acquired in a business combination (Note 41(a)). The amounts disclosed as above have reflected the effects of the acquisition accounting, with which fair value adjustments, goodwill and tax are included.

The paid up capital of HK$37,441,000 of Baoxin Football was contributed by the NCI upon establishment by way of transfer of the management staff's and football players' registrations to Baoxin Football. As at 31 December 2016, the Group has not paid up its capital of Baoxin Football.

25. DEPOSITS PAID FOR ACQUISITIONS OF SUBSIDIARIES

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

As at 31 December 2015, an amount of RMB65,000,000 (equivalent to approximately HK$77,584,000) has been paid to the vendors of Wuxi Xinyou and their associates as deposits in relation to the potential acquisition. During the year, additional deposits of HK$200,000,000 and RMB15,000,000 were paid to the vendor of Wuxi Xinyou in relation to the potential acquisition.

The Company subsequently noted that Wuxi Xinyou and its vendors had entered into an agreement relating to the sale of equity interests in Wuxi Xinyou to another purchaser. Hence, the Company will not proceed with the potential acquisition under the MOU. The Company has taken all necessary actions to secure repayment of the deposits as soon as possible.

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

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

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

On 28 February 2017, an aggregate of HK$190,000,000 and all interests accrued thereon were repaid in full to the Group by Wuxi Xinyou, vendors of Wuxi Xinyou and their associates. On 23 March 2017, an amount of RMB70,000,000 and all interests accrued thereon were repaid in full to the Group by Wuxi Xinyou, vendors of Wuxi Xinyou and their associates.

25. DEPOSITS PAID FOR ACQUISITIONS OF SUBSIDIARIES *(Continued)*

At 31 December 2016, the balance of deposits of HK$268,252,000 is included in other receivables.

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

26. OTHER DEPOSITS

Other deposits represent the deposits paid for acquisition of copyright of online games and rental deposits paid under operating leases receivable after one year.

27. DERIVATIVE FINANCIAL ASSETS

	Note	**2016** **HK$'000**	2015 HK$'000
Non-current:			
Financial assets			
Put option (Note 41(f))	*(a)*	**6,448**	–
Current:			
Financial assets			
Contingent consideration receivable (Note 41(b))	*(b)*	**45,841**	–

(a) As set out in Note 41(f) to the consolidated financial statements, as a part of the consideration for the acquisition of 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 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 (as defined in Note 41(f)) 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 Greater China Appraisal Limited, an independent firm of professional valuers. The valuer conducted the valuation based on a profit forecast obtained from the Company (level 3 fair value measurements).

27. DERIVATIVE FINANCIAL ASSETS *(CONTINUED)*

(b) As set out in Note 41(b) to the consolidated financial statements, as a part of the consideration for the acquisition of Kingworld Holdings and its subsidiaries (collectively referred to as "Kingworld Group"), the contingent consideration receivable is obtained for which details are set out in Note 41(b) to the consolidated financial statements.

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

At 31 December 2015, the contingent consideration receivable recognised was HK$Nil as the directors expected the profit target to be met based on the profit forecast of Kingworld Group for the 2016 Net Profit. At 31 December 2016, the contingent consideration receivable was recognised based on profit of Kingworld Group for the year ended 31 December 2016. The contingent consideration receivable was stated at fair value based on the valuation performed by Greater China Appraisal Limited, an independent firm of professional valuers. The valuer conducted the valuation based on a management accounts obtained from the Company (level 3 fair value measurements).

28. TRADE AND OTHER RECEIVABLES

	2016 **HK$'000**	2015 HK$'000
Trade receivables	**34,027**	123,427
Other receivables	**10,282**	8,930
Deposits paid for a potential acquisition of subsidiary (Note 25)	**268,252**	–
Other deposits	**2,492**	31,602
Prepayments	**84,317**	20,969
Total trade and other receivables	**399,370**	184,928

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

28. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

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

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

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

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

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

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

29. BANK AND CASH BALANCES

Bank and cash balances comprise cash held by the Group and short-term bank deposits and carry interest at effective interest rates ranging from 0.001% to 2.85% (2015: 0.001% to 3.3%) per annum.

As at 31 December 2016, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$147,437,000 (2015: approximately HK$83,715,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

30. BORROWINGS

	2016 HK$'000	2015 HK$'000
Bank loans	**20,122**	21,485
Corporate bonds	**92,729**	–
Other borrowings	**15,000**	–
	127,851	21,485

The borrowings are repayable within one year.

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

	HK$ HK$'000	**RMB HK$'000**	**Total HK$'000**
2016			
Bank loans	**–**	**20,122**	**20,122**
Corporate bonds	**92,729**	**–**	**92,729**
Other borrowings	**15,000**	**–**	**15,000**
	107,729	**20,122**	**127,851**

	HK$ HK$'000	RMB HK$'000	Total HK$'000
2015			
Bank loans	–	21,485	21,485
Corporate bonds	–	–	–
Other borrowings	–	–	–
	–	21,485	21,485

30. BORROWINGS *(Continued)*

The average effective interest rates at 31 December were as follows:

	2016	2015
Bank loans	**5.44%**	5.66%
Corporate bonds	**22.66%**	N/A
Other borrowings	**12.00%**	N/A

The borrowings are arranged at fixed interest rates and expose the Group to fair value interest rate risk.

The fair value of borrowings equals their carrying amount, as the impact of discounting is not significant.

On 8 November 2016, the Group issued corporate bonds at a nominal value of HK$95,000,000, which is unsecured, bearing interest at a rate of 10% per annum and with maturity on 7 February 2017. Interest was due and fully paid in advance on 8 November 2016. Corporate bonds were repaid in full by the Group on 7 February 2017.

The bank loans are secured by a charge over a property owned by an registered equityholder of Kingworld Beijing and are guaranteed by the registered equityholders of Kingworld Beijing and their spouses. The registered equityholders of Kingworld Beijing have become the shareholders of the Company since the completion of acquisition of Kingworld Holdings as stated in Note 41(b) to the consolidated financial statements.

Other borrowings are secured by a share charge over the entire issued capital of a wholly-owned subsidiary. Other borrowings were fully repaid on 9 January 2017.

31. CONVERTIBLE BONDS

(a) On 22 June 2015 (the "Issue Date 1"), the Group issued convertible bonds with a nominal value of HK$200,000,000 (the "Convertible Bonds 1"). The bonds are convertible at the option of the bondholders into fully paid ordinary shares with HK$0.0025 each of the Company (the "Conversion Shares 1") at an initial conversion price of HK$0.25 per share after share subdivision (Note 37(a)) at any time during the period commencing from 2 October 2015 up to and including the 7th day immediately preceding 21 June 2017 (the "Maturity Date 1"). Based on the initial conversion price of HK$0.25 per Conversion Shares 1, a maximum number of 800,000,000 Conversion Shares 1 after share subdivision (Note 37(a)) will be allotted and issued upon the exercise of the conversion rights.

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

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

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

31. CONVERTIBLE BONDS *(Continued)*

(a) *(Continued)*

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

(b) On 12 November 2015 (the "Issue Date 2"), the Group issued convertible bonds with a nominal value of HK$100,000,000 (the "Convertible Bonds 2"). The bonds are convertible at the option of the bondholders into fully paid ordinary shares with HK$0.0025 each of the Company (the "Conversion Shares 2") at an initial conversion price of HK$0.25 per share at any time during the period commencing from the Issue Date 2 up to and including the 10th day immediately preceding 11 November 2016 (the "Maturity Date 2") subject to the following limits:

(i) in the first three months commencing from the Issue Date 2, the bondholder is only entitled at any time during such period to convert up to 50% of the principal amount of the bonds;

(ii) in the remaining period commencing from the date on which the period referred to in note (i) expires, the bondholder is entitled at any time during such period to convert any principal amount of the bonds.

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

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

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

31. CONVERTIBLE BONDS *(Continued)*

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

	Convertible Bonds 1 HK$'000	Convertible Bonds 2 HK$'000	Total HK$'000
Nominal value of convertible bonds issued	200,000	100,000	300,000
Transaction cost related to liability component	(4,494)	(2,488)	(6,982)
Equity component	(27,156)	(17,897)	(45,053)
Liability component at the date of issue	168,350	79,615	247,965
Interest charged	16,576	3,014	19,590
Converted during the year	(8,979)	–	(8,979)
Liability component at 31 December 2015 and 1 January 2016	175,947	82,629	258,576
Interest charged	34,149	22,371	56,520
Interest paid	(9,500)	(5,000)	(14,500)
Redeemed during the year	–	(100,000)	(100,000)
Liability component at 31 December 2016	200,596	–	200,596
Equity component at the date of issue	27,156	17,897	45,053
Transaction cost related to equity component	(706)	(542)	(1,248)
Equity component at the date of issue	26,450	17,355	43,805
Converted during the year	(1,323)	–	(1,323)
Equity component at 31 December 2015 and 1 January 2016	25,127	17,355	42,482
Redeemed during the year	–	(17,355)	(17,355)
Equity component at 31 December 2016	25,127	–	25,127

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

The directors estimate the fair values of the liability components of the Convertible Bonds 1 at 31 December 2016 to be approximately HK$199,719,000 (2015: HK$156,830,000). This fair values have been calculated by discounting the future cash flows at effective interest rate of 21% (2015: 30%) (level 2 fair value measurements).

32. TRADE AND OTHER PAYABLES

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

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

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

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

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

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

33. CONTINGENT CONSIDERATION PAYABLES

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

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

(a) As set out in Note 41(a) to the consolidated financial statements, as a part of the consideration for the acquisition of Heroic Coronet and its subsidiaries (collectively referred to as "Heroic Group"), the Company was required to issue 750,000,000 new shares after share subdivision (Note 41(a)) (the "Contingent Consideration") if the 2015 Net Profit (as defined in Note 41(a)) of Kaixin Jiuhao equals to or exceeds RMB60,000,000. Contingent Consideration were classified as liabilities and recognised at its fair value on the acquisition date and the date of reporting.

The 2015 Net Profit exceeds RMB60,000,000 and pursuant to an ordinary resolution passed at an extraordinary general meeting held on 31 March 2016, 750,000,000 new shares at bid price of HK$0.2 were issued and allotted to the vendor of Heroic Coronet on 31 March 2016 (Note 41(a)).

At 31 December 2015, the contingent consideration payable were stated at fair value based on the valuation performed by Greater China Appraisal Limited, an independent firm of professional valuers. The valuer conducted the valuation based on the Company's share price and a management accounts obtained from the Company.

(b) As set out in Note 41(f) to the consolidated financial statements, as a part of the consideration for the acquisition of Yue Jin Asia, the Consideration Adjustment (as defined in Note 41(f)) is obtained for which details are set out in Note 41(f) to the 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.

The Consideration Adjustment was stated at fair value based on the valuation performed by Greater China Appraisal Limited, an independent firm of professional valuers. The valuer conducted the valuation based on a profit forecast obtained from the Company and the Company's share price (level 3 fair value measurements).

34. DEFERRED REVENUE

	Notes	**2016 HK$'000**	2015 HK$'000
Game players prepaid service fees	*(a)*	**–**	1,262
Licensing fees	*(a)*	**1,700**	5,397
Tuition fees	*(b)*	**2,673**	–
		4,373	6,659
Analysed as:			
Non-current		**213**	1,181
Current		**4,160**	5,478
		4,373	6,659

Note (a): The deferred revenue mainly represents service fees prepaid by game players or licensees for online game services to which related services have not been rendered as the end of the year.

Note (b): The students are entitled to refund of the payment in relation to the proportionate service not yet provided.

35. CONSIDERATION PAYABLE

The consideration payable in relation to the Operating Right (Note 22) is set out as follows:

	HK$'000
Acquisition of subsidiaries (Note 41(f))	**90,808**
Imputed interest charged	**96**
Exchange differences	**106**
At 31 December 2016	**91,010**

Pursuant to the Operation Entrustment Agreement, the consideration payable at initial amount of RMB392,500,000 (equivalent to HK$438,776,000) will be settled by 10 equal annual instalments of RMB39,250,000 (equivalent to HK$43,877,600) each from the eleventh year of the date on which the assets were transferred. The transfer of assets was completed on 11 March 2015.

The imputed interest charged for the year is calculated by applying effective interest rate of 13.04%.

36. DEFERRED TAX

The following are the deferred tax liabilities and assets recognised by the Group:

	Deferred tax liabilities				Deferred tax assets		
	Prepaid expenses HK$'000	Distributable profit of the PRC subsidiaries HK$'000	Other intangible assets HK$'000	Total HK$'000	Accrued expenses HK$'000	Tax Losses HK$'000	Total HK$'000
At 1 January 2015	780	–	–	780	(2,215)	–	(2,215)
Acquisition of subsidiaries (Note 41)	–	–	15,295	15,295	–	–	–
Charge/(credit) to profit or loss for the year	(640)	–	–	(640)	2,186	–	2,186
Disposal of subsidiaries (Note 41(d))	(125)	–	–	(125)	–	–	–
Exchange differences	(15)	–	(432)	(447)	29	–	29
At 31 December 2015	–	–	14,863	14,863	–	–	–
Acquisition of subsidiaries (Note 41(f))	–	–	94,289	94,289	–	(24,125)	(24,125)
Charge/(credit) to profit or loss for the year	–	3,090	(9,593)	(6,503)	–	(91)	(91)
Exchange differences	–	30	(135)	(105)	–	(28)	(28)
At 31 December 2016	–	3,120	99,424	102,544	–	(24,244)	(24,244)

At the end of the reporting period, the Group had unused tax losses of approximately HK$259,705,000 (2015: approximately HK$108,676,000) available for offset against future profits. A deferred tax assets have been recognised in respect of HK$96,975,000 of such loss. No deferred tax asset has been recognised in respect of remaining approximately HK$162,730,000 (2015: approximately HK$108,676,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$2,808,000 (2015: HK$2,808,000), HK$48,486,000 (2015: HK$48,486,000), HK$27,259,000 (2015: HK$27,259,000), HK$13,618,000 (2015: HK$30,123,000) and HK$55,468,000 (2015: N/A) that will expire in 2017, 2018, 2019, 2020 and 2021 respectively.

Pursuant to relevant laws and regulations in the PRC, withholding tax is imposed at 10% on dividends declared to foreign investors in respect of profit earned by PRC subsidiaries from 1 January 2008 onward. At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of PRC subsidiaries for which deferred tax liabilities have not been recognised is HK$84,907,000 (2015: HK$110,790,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

37. SHARE CAPITAL

	Note	**2016** Number of shares '000	**2016** HK$'000	2015 Number of shares '000	2015 HK$'000
Authorised:					
Ordinary shares of HK$0.0025 (2015: HK$0.025) each					
At 1 January		**40,000,000**	**100,000**	4,000,000	100,000
Share subdivision	*(a)*	**–**	**–**	36,000,000	–
Increase in capital	*(b)*	**40,000,000**	**100,000**	–	–
At 31 December		**80,000,000**	**200,000**	40,000,000	100,000
Issued and fully paid:					
At 1 January		**14,613,151**	**36,533**	1,315,835	32,896
Shares issued under share option scheme	*(c)*	**–**	**–**	9,480	237
Share subdivision	*(a)*	**–**	**–**	11,927,836	–
Shares issued on conversion of convertible bonds	*(d)*	**–**	**–**	40,000	100
Shares issued on placements	*(e)*	**4,088,000**	**10,220**	670,000	1,675
Shares issued on acquisition of subsidiaries	*(f)*	**3,169,355**	**7,923**	650,000	1,625
Shares issued on subscription	*(g)*	**12,181,629**	**30,454**	–	–
At 31 December		**34,052,135**	**85,130**	14,613,151	36,533

(a) Pursuant to an ordinary resolution passed on 15 September 2015, each ordinary share of HK$0.025 each in the issued and unissued share capital of the Company were subdivided into ten ordinary shares of HK$0.0025 each in the issued and unissued share capital of the Company with effective on 16 September 2015.

(b) Pursuant to an ordinary resolution passed on 19 December 2016, the authorised number of ordinary share of HK$0.025 each were increased by 40,000,000,000 in the issued and unissued share capital of the Company with effective on 19 December 2016.

(c) During the year 2015, 9,480,000 ordinary shares of HK$0.025 each were issued before share subdivision in relation to share options exercised under the 2004 share option scheme of the Company at the exercise price of HK$1.3875 and HK$1.36 respectively for a total cash consideration of HK$13,010,000. The exercise of the subscription consideration received over the nominal values issued, which amounted to HK$12,773,000, was credited to the share premium account.

(d) On 30 October 2015, the Company issued a total of 40,000,000 conversion shares to bondholder at the conversion price of HK$0.25 per conversion share after the share subdivision.

37. SHARE CAPITAL *(Continued)*

(e) On 11 November 2015, the Company entered into a placing agreement in respect of the placement of 670,000,000 ordinary shares of HK$0.0025 each to an independent investor at a price of HK$0.236 per share. The placement was completed on 19 November 2015 and the premium on the issue of shares, amounting to approximately HK$155,654,000, net of share issue expenses of HK$791,000, was credited to the Company's share premium account. The Company issued and allotted 670,000,000 new shares on 19 November 2015.

On 19 September 2016, the Company entered into a placing agreement in respect of the placement of 4,088,000,000 ordinary shares of HK$0.0025 each to investors at a price of HK$0.062 per share. The placement was completed on 30 December 2016 and the premium on the issue of shares, amounting to approximately HK$240,701,000, net of share issue expenses of HK$2,535,000, was credited to the Company's share premium account. The Company issued and allotted 4,088,000,000 new shares on 30 December 2016.

(f) On 31 December 2015, completion of the acquisition of Kingworld Holdings took place, and pursuant to the sale and purchase agreement, the Company issued 650,000,000 Consideration Shares of HK$0.0025 each to the vendor of Kingworld Holdings as a settlement of the consideration for the acquisition of Kingworld Holdings. The fair value of 650,000,000 new shares was HK$146,900,000, based on the bid price (HK$0.226 per consideration share) at 31 December 2015.

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

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

(g) On 19 September 2016, the Company entered into subscription agreements in respect of the issue and allotment of an aggregate of 12,181,629,000 ordinary shares of HK$0.0025 each to investors at a price of HK$0.062 per share. The subscription was completed on 28 December 2016 and the premium on the issue of shares, amounting to approximately HK$724,807,000 was credited to the Company's share premium account. The Company issued and allotted 12,181,629,000 new shares on 28 December 2016.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure of the Group on a timely basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts. The Group expects to maintain low gearing because of its cash-rich position.

37. SHARE CAPITAL *(Continued)*

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Total debt comprises borrowings and convertible bonds. Adjusted capital comprises all components of equity (i.e. share capital, retained profits and other reserves) except for non-controlling interests.

The debt-to-adjusted capital ratios at 31 December 2016 and at 31 December 2015 were as follows:

	2016 **HK$'000**	2015 HK$'000
Total debt (Borrowings and convertible bonds)	**328,447**	280,061
Less: cash and cash equivalents	**(473,499)**	(419,212)
Net debt	**(145,052)**	(139,151)
Adjusted capital	**1,405,707**	943,598
Debt-to-adjusted capital ratio	**(10%)**	(15%)

The change in the debt-to-adjusted capital ratio during 2016 resulted primarily from the increase of total debt which outraced the increase in cash and cash equivalents.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year.

38. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	**2016** **HK$'000**	2015 HK$'000
Non-current assets			
Investments in subsidiaries		**306,071**	812,284
Current assets			
Other receivables		**191,182**	1,050
Amounts due from subsidiaries		**1,542,728**	181,649
Bank and cash balances		**303,460**	268,203
		2,037,370	450,902
Current liabilities			
Borrowings		**107,729**	–
Convertible bonds		**200,596**	258,576
Other payables		**8,411**	5,851
Amounts due to subsidiaries		**409,640**	229,129
Contingent consideration payable		**–**	169,500
		726,376	663,056
Net current assets/(liabilities)		**1,310,994**	(212,154)
Total assets less current liabilities		**1,617,065**	600,130
Non-current liabilities			
Contingent consideration payable		**255,199**	–
NET ASSETS		**1,361,866**	600,130
Capital and reserves			
Share capital		**85,130**	36,533
Reserves	*38(b)*	**1,276,736**	563,597
TOTAL EQUITY		**1,361,866**	600,130

Approved by the Board of Directors on 24 March 2017 and are signed on its behalf by:

Zhang Xiaodong *Director*	**Xia Lingjie** *Director*

38. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company

	Shares premium HK$'000 (Note 39 (b)(i))	Share redemption reserve HK$'000 (Note 39(b)(ii))	Convertible bonds reserve HK$'000 (Note 39(b)(vi)	Contributed surplus HK$'000 (Note (a))	Shareholder's contribution HK$'000 (Note (b))	Share options reserve HK$'000 (Note 39(b)(ix))	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2015	242,689	2,269	–	29,412	1,392	6,419	113	282,294
Equity component of convertible bonds (Note 31)	–	–	43,805	–	–	–	–	43,805
Share-based payments	–	–	–	–	–	58,931	–	58,931
Issue of shares on exercise of share options (Note 37(c))	18,840	–	–	–	–	(6,067)	–	12,773
Transfer of share options reserve upon lapse of share options	–	–	–	–	–	(352)	352	–
Conversion of convertible bonds (Note 31)	10,202	–	(1,323)	–	–	–	–	8,879
Issue of shares on placement (Note 37(e))	155,654	–	–	–	–	–	–	155,654
Issue of shares on acquisition of subsidiaries (Note 37(f))	145,275	–	–	–	–	–	–	145,275
Total comprehensive income for the year	–	–	–	–	–	–	(144,014)	(144,014)
At 31 December 2015	572,660	2,269	42,482	29,412	1,392	58,931	(143,549)	563,597
At 1 January 2016	**572,660**	**2,269**	**42,482**	**29,412**	**1,392**	**58,931**	**(143,549)**	**563,597**
Share-based payments	**-**	**-**	**-**	**-**	**-**	**9,154**	**-**	**9,154**
Transfer of share options reserve upon lapse of share options	**-**	**-**	**-**	**-**	**-**	**(49,811)**	**49,811**	**-**
Redemption of convertible bonds (Note 31)	**-**	**-**	**(17,355)**	**-**	**-**	**-**	**17,355**	**-**
Issue of shares on subscription	**724,807**	**-**	**-**	**-**	**-**	**-**	**-**	**724,807**
Issue of shares on placement (Note 37(e))	**240,701**	**-**	**-**	**-**	**-**	**-**	**-**	**240,701**
Issue of shares on acquisition of subsidiaries (Note 37(f))	**381,593**	**-**	**-**	**-**	**-**	**-**	**-**	**381,593**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(643,116)**	**(643,116)**
At 31 December 2016	**1,919,761**	**2,269**	**25,127**	**29,412**	**1,392**	**18,274**	**(719,499)**	**1,276,736**

Note:

(a) The contributed surplus of the Company represents the excess of the net assets of the subsidiaries acquired by the Company pursuant to a group reorganisation and the nominal value of the ordinary shares issued by the Company in exchange thereof.

(b) The shareholder's contribution of the Company represents contribution from the intermediate holding company for cancellation of the Company's share options in 2012.

39. RESERVES

(a) Group

The amounts of the reserves and movements of the Group therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) The share redemption reserve represents the aggregate amount of the share capital and share premium in relation to the repurchase of the Company's own equity instruments.

(iii) The capital reserve of the Group represents the difference of the paid-in capital of the subsidiaries acquired by the Company pursuant to a group reorganisation and the nominal value of the ordinary shares issued by the Company in exchange thereof.

(iv) The other reserve of the Group represents the capitalisation of general reserve fund and enterprise expansion fund in SinoCom Beijing as share capital of SinoCom Beijing in year 2003.

(v) In accordance with the laws and regulations in the PRC on foreign enterprises, PRC subsidiaries of the Company are required to set aside 10% of their net profits, prepared in accordance with generally accepted accounting principles in the PRC, to the general reserve funds until the funds aggregate to 50% of their registered capital. In accordance with their articles of association, PRC subsidiaries of the Company may transfer such amount of profits (after taxation) as determined by their board of directors of the PRC subsidiaries to the general reserve fund before distribution to their shareholders. The general reserve fund is non-distributable and can be used to increase the capital of the PRC subsidiaries. The general reserve fund can also be used to make good future losses.

(vi) The convertible bonds reserve represents the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in Note 4(n) to the consolidated financial statements.

(vii) The shareholder's contribution of the Group represents waiver of an amount due to a shareholder of the Company in 2001 and the contribution from the intermediate holding company for cancellation of the Company's share options in 2012.

(viii) The translation reserve comprises all foreign exchange differences arising from the translation of the consolidated financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 4(c) to the consolidated financial statements.

(ix) The share options reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in Note 4(s) to the consolidated financial statements.

39. RESERVES *(Continued)*

(c) Development fund of schools

According to the relevant PRC laws and regulations, for private schools that requires for reasonable returns, it is required to appropriate to the development fund not less than 25% of the net income of the relevant schools as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the schools or procurement or upgrade of educational equipment.

40. SHARE-BASED PAYMENTS

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

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

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

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

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

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

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

40. SHARE-BASED PAYMENTS *(Continued)*

At 31 December 2016, the number of shares in respect of which options has been remained outstanding under the New Scheme was 200,000,000 (2015: 622,000,000), representing 0.59 % (2015: 4.45%) of the shares of the Company in issue at that date. The options outstanding at the end of the year have a weighted average remaining contractual life of 8.41 years (2015: 9.41 years) and the exercise price is HK$0.314 after share subdivision (2015: HK$0.314).

Details of specific category of options are as follows:

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

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

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

The following table discloses movements of the number of the Company's shares under options held by employees and consultants during the year ended 31 December 2016:

Date of grant	Outstanding at 1/1/2016	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31/12/2016
27/05/2015	622,000,000	–	–	(422,000,000)	200,000,000

The following table discloses movements of the number of the Company's shares under options, which is adjusted for the share subdivision with effective on 16 September 2015, held by employees and consultants during the year ended 31 December 2015:

Date of grant	Outstanding at 1/1/2015	Granted during the year	Exercised during the year	Lapsed during the year	Effect of share subdivision	Outstanding at 31/12/2015
24/01/2006	3,160,000	–	(2,760,000)	(400,000)	–	–
28/01/2008	6,920,000	–	(6,720,000)	(200,000)	–	–
27/05/2015	–	62,200,000	–	–	559,800,000	622,000,000
	10,080,000	62,200,000	(9,480,000)	(600,000)	559,800,000	622,000,000

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2015 was HK$3.22.

40. SHARE-BASED PAYMENTS *(Continued)*

At 31 December 2016, 200,000,000 (31 December 2015: 311,000,000) share options are exercisable. The closing price of the Company's shares immediately before 27 May 2015, the date of grant of options, was HK$3.25.

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

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

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

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

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of Heroic Coronet

On 30 January 2015, the Group acquired the entire issued share capital of Heroic Coronet for a consideration of HK$260,000,000, of which HK$200,000,000 was settled in cash and HK$60,000,000 will be settled by the Company's shares. Heroic Coronet, through Kaixin Jiuhao, is principally engaged in the design, development and operation of the mobile and web games. The acquisition is aim to further develop and expand the business scope of the Group, and take into account the potentials of the mobile gaming industry.

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

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(a) Acquisition of Heroic Coronet *(Continued)*

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

	Fair value HK$'000
Property, plant and equipment	545
Other intangible assets	176,042
Trade and other receivables	23,480
Amount due from a director	10,264
Bank and cash balances	21
Trade and other payables	(9,692)
Receipts in advance	(6,938)
Amount due to a related company	(572)
Deferred tax liabilities	(7,844)
Net identifiable assets and liabilities	185,306
Non-controlling interests	(64,835)
Goodwill	197,279
	317,750
Satisfied by:	
Cash	200,000
Contingent consideration payable	117,750
	317,750
Net cash inflow arising on acquisition:	
Cash consideration paid	(200,000)
Cash and cash equivalents acquired	21
Utilisation of deposit paid as at 31 December 2014	200,000
	21

The fair value of the trade and other receivables acquired and the gross amount due under the contracts is HK$23,480,000, none of which is expected to be uncollectible.

The amount due from a director of HK$10,264,000 represents the trade and other payables of HK$9,692,000 and amount due to a related company of HK$572,000 undertaken by the director as at the acquisition date in accordance with the terms of the sale and purchase agreement.

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(a) Acquisition of Heroic Coronet *(Continued)*

Heroic Group contributed approximately HK$101,272,000 and HK$28,068,000 to the Group's revenue and profit respectively for the year between the date of acquisition and 31 December 2015.

If the acquisition had been completed on 1 January 2015, total Group's turnover for the year would have been HK$503,110,000, and loss for the year 2015 would have been HK$67,785,000. The proforma 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 2015, nor is intended to be a projection of future results.

The carrying amount of the non-controlling interest in Kaixin Jiuhao was estimated based on the proportionate share of the fair value of the identifiable net assets of Kaixin Jiuhao.

The goodwill arising on the acquisition of Heroic Coronet is attributable to the anticipated profitability of the provision of online game services in mobile gaming market and the anticipated future operating synergies from the combination.

(b) Acquisition of Kingworld Holdings

On 31 December 2015, the Group acquired the entire issued share capital of Kingworld Holdings for a consideration of HK$450,000,000, of which HK$300,500,000 was settled in cash and HK$149,500,000 was settled by the Company's shares. Kingworld Holdings, through Kingworld Beijing, is principally engaged in distributing, selling, developing and investing in internet and mobile interaction entertainment products. With the acquisition the Group has been putting emphasis on the development of its mobile and web-game business.

Pursuant to the sale and purchase agreement, the vendor undertakes to that the aggregate of the audited consolidated net profit of Kingworld Group for the year ending 31 December 2016 (the "2016 Net Profit") shall not be less than RMB60,000,000 (equivalent to HK$76,086,000, the "Guaranteed Amount"). In the event that the 2016 Net Profit is less than RMB60,000,000, an adjustment amount calculated at six times of the shortfall of the 2016 Net Profit and the Guaranteed Amount (the "Adjustment Amount") will be paid by the vendor in cash. In the event that the 2016 Net Profit is equal to or more than RMB60,000,000, no adjustment amount shall be payable by the vendor.

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Acquisition of Kingworld Holdings *(Continued)*

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

	Fair value HK$'000
Property, plant and equipment	2,678
Other intangible assets	49,672
Trade and other receivables	77,853
Bank and cash balances	4,110
Borrowings	(21,485)
Trade and other payables	(28,656)
Current tax liabilities	(2,103)
Deferred tax liabilities	(7,451)
Net identifiable assets and liabilities	74,618
Goodwill	372,782
	447,400
Satisfied by:	
Cash	300,500
The Company's shares	146,900
	447,400
Net cash outflow arising on acquisition:	
Cash consideration paid	(300,500)
Cash and cash equivalents acquired	4,110
Utilisation of deposit paid as at 31 December 2014	135,000
	(161,390)

The fair value of the trade and other receivables acquired and the gross amount due under the contracts is HK$77,853,000, none of which is expected to be uncollectible.

Kingworld Group contributed approximately HK$Nil and HK$Nil to the Group's revenue and loss respectively for the year between the date of acquisition and 31 December 2015.

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Acquisition of Kingworld Holdings *(Continued)*

If the acquisition had been completed on 1 January 2015, total Group's turnover for the year 2015 would have been HK$564,023,000, and loss for the year 2015 would have been HK$48,027,000. The proforma 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 2015, nor is intended to be a projection of future results.

The goodwill arising on the acquisition of Kingworld Holdings is attributable to the anticipated profitability of the provision of online game services in mobile gaming market and the anticipated future operating synergies from the combination.

(c) Acquisition of Key Rich

On 31 December 2015, the Group acquired the entire issued share capital of Key Rich for a consideration of HK$158,000,000 which was settled in cash. Key Rich, through Chongqing Quanben, is principally engaged in provision of P2P financial intermediary services on the online platform and other relevant consultation services. The acquisition is for the purpose of developing and expanding the business scope of the Group, and taking into account the potentials of the P2P financial intermediary industry.

The fair value of the identifiable assets and liabilities of Key Rich Group acquired as at its date of acquisition is as follows:

	Fair value HK$'000
Property, plant and equipment	827
Trade and other receivables	4,067
Bank and cash balances	498
Trade and other payables	(809)
Net identifiable assets and liabilities	4,583
Goodwill	153,417
Consideration settled in cash	158,000
Net cash outflow arising on acquisition:	
Cash consideration paid	(158,000)
Cash and cash equivalents acquired	498
	(157,502)

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Acquisition of Key Rich *(Continued)*

The fair value of the trade and other receivables acquired and the gross amount due under the contracts is HK$4,067,000, none of which is expected to be uncollectible.

Key Rich Group contributed approximately HK$Nil and HK$Nil to the Group's revenue and loss respectively for the year 2015 between the date of acquisition and 31 December 2015.

If the acquisition had been completed on 1 January 2015, total Group's turnover for the year 2015 would have been HK$503,150,000, and loss for the year 2015 would have been HK$84,200,000. The proforma 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 2015, nor is intended to be a projection of future results.

The goodwill arising on the acquisition of Key Rich is attributable to the anticipated profitability of the P2P financial intermediary services and the anticipated future operating synergies from the combination.

(d) Disposal of SinoCom BVI and SinoCom Japan

On 28 October 2015, the Group acquired 5.53% and 8% non-controlling interests in SinoCom Ideas and SinoCom Japan Corporation ("SinoCom Japan") at a cash consideration of HK$1,854,000 and HK$6,800,000 respectively. The effect of the acquisition on the equity attributable to the owners of the Company is as follows:

	SinoCom Ideas HK$'000	SinoCom Japan HK$'000	Total HK$'000
Carrying amounts of non-controlling interests acquired	1,680	5,216	6,896
Consideration paid for non-controlling interests	(1,854)	(6,800)	(8,654)
Loss arising from acquisition recognised directly in equity	(174)	(1,584)	(1,758)

On 28 October 2015, the Group disposed of its entire equity interests in SinoCom Development Holdings Limited ("SinoCom BVI") and SinoCom Japan to Normura Research Institute Ltd. for a consideration of approximately HK$98,000,000 and HK$92,000,000 respectively.

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(d) Disposal of SinoCom BVI and SinoCom Japan *(Continued)*

Net assets at the date of disposal were as follows:

	SinoCom BVI HK$'000	SinoCom Japan HK$'000	Total HK$'000
Property, plant and equipment	17,696	365	18,061
Trade and other receivables (net of allowance for doubtful debts)	15,441	39,974	55,415
Amounts due from/(to) the Group	5,183	(19,193)	(14,010)
Bank and cash balances	34,453	78,579	113,032
Other payables and accruals	(42,449)	(30,312)	(72,761)
Current tax liabilities	(15)	(4,086)	(4,101)
Deferred tax liabilities	–	(125)	(125)
Net assets disposed of:	30,309	65,202	95,511
Release of foreign currency translation reserve	(1,499)	(2,374)	(3,873)
Direct cost to the disposal	7,620	7,034	14,654
Derecognition of goodwill	7,308	–	7,308
Gain on disposal of subsidiaries	54,262	22,138	76,400
Total consideration — satisfied by cash	98,000	92,000	190,000
Net cash inflow arising on disposal:			
Cash consideration received	98,000	92,000	190,000
Direct cost to the disposal	(7,620)	(7,034)	(14,654)
Cash and cash equivalents disposed of	(34,453)	(78,579)	(113,032)
	55,927	6,387	62,314

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(e) Disposal of Technology Holdings

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

Net liabilities at the date of disposal were as follows:

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

(f) Acquisition of Yue Jin Asia

On 28 December 2016, a subsidiary of the Company acquired the entire equity interests in 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:

Retained Shares = HK$150,000,000 — 2018 Yacht Profit Shortfall x 9

Where,

(a) 2018 Yacht Profit Shortfall = HK$60,000,000 — 2018 Yacht Profit;

(b) 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.

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(f) Acquisition of Yue Jin Asia *(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:

Retained Shares = HK$150,000,000 — 2018 School Profit Shortfall x 16

Where,

(c) 2018 School Profit Shortfall = HK$17,500,000 — 2018 School Profit;

(d) 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.

Immediately prior to the completion, the amount of HK$882,000,000 due from Yue Jin Asia to the then shareholder was assigned to the Group.

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(f) Acquisition of Yue Jin Asia *(Continued)*

The fair value of the identifiable assets and liabilities of Yue Jin Asia Group acquired as at its date of acquisition is as follows:

	HK$'000
Property, plant and equipment	46,710
Other intangible asset — Operating Right	819,081
Deposits paid for investment properties	203,589
Deferred tax assets	24,125
Trade and other receivables	23,764
Bank and cash balances	24,296
Trade and other payables	(66,814)
Amount due to the holding company of Yue Jin Asia	(882,000)
Deferred revenue	(2,765)
Consideration payable	(90,808)
Deferred tax liabilities	(94,289)
Net identifiable assets and liabilities	4,889
Assignment of debt to the Group	882,000
Put option upon initial recognition (Note 27(a))	6,330
Goodwill arising on acquisition	284,553
	1,177,772
Satisfied by:	
Cash	700,000
Consideration Shares	239,516
Retained Shares	238,256
	1,177,772
Net cash outflow arising on acquisition:	
Cash consideration paid	(700,000)
Cash and cash equivalents acquired	24,296
	(675,704)

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(f) Acquisition of Yue Jin Asia *(Continued)*

The fair value of the trade and other receivables acquired and the gross amount due under the contracts is HK$23,764,000, none of which is expected to be uncollectible.

Yue Jin Asia contributed a loss of approximately HK$398,000 to the Group's profit for the reporting period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 17 March 2016 (date of incorporation of Yue Jin Asia), total Group's turnover for the year would have been HK$189,725,000, and loss for the year would have been HK$929,892,000. The proforma 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 17 March 2016, nor is intended to be a projection of future results.

The goodwill arising on the acquisition of Yue Jin Asia is attributable to the anticipated profitability of Yacht Club Business and School Business and the anticipated future operating synergies from the combination.

42. CONTINGENT LIABILITIES

As at 31 December 2016, the Group and the Company did not have any significant contingent liabilities (2015: Nil).

43. CAPITAL COMMITMENTS

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

	2016 **HK$'000**	2015 HK$'000
Contracted but not provided for Property, plant and equipment	**2,557**	1,000

44. OPERATING LEASE COMMITMENTS

The Group as lessee:

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

	2016 **HK$'000**	2015 HK$'000
Within one year	**5,549**	5,139
In the second to fifth year inclusive	**13,991**	3,595
	19,540	8,734

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

44. OPERATING LEASE COMMITMENTS *(Continued)*

The Group as lessor:

At 31 December 2016 the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2016 **HK$'000**	2015 HK$'000
Within one year	**494**	–
In the second to fifth year inclusive	**344**	–
	838	–

45. RELATED PARTY TRANSACTIONS

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

	2016 **HK$'000**	2015 HK$'000
Revenue — subcontracting income from a related company (Note a)	**–**	2,149

Outstanding balances at the end of the reporting period

	2016 **HK$'000**	2015 HK$'000
Amount due from a director (Note b)	**–**	15,127

Note:

(a) The amount represents the subcontracting income receivable from a related company controlled by a director of the Company.

(b) The amount represents the liabilities of Kaixin Jiuhao undertaken by the director at the acquisition date and subsequent cash advances to the director. Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2015 for Kaixin Jiuhao of RMB40,000,000 (equivalent to approximately HK$47,760,000) has been approved by the board of directors of Kaixin Jiuhao and the Board of Directors of the Company. Mr. Liu Wei, who owns 35% of the equity interest in Kaixin Jiuhao, agreed that the dividend payable to him shall be settled with the amount due from him as at 31 December 2015.

45. RELATED PARTY TRANSACTIONS *(Continued)*

Compensation of key management personnel

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

	2016 HK$'000	2015 HK$'000
Salaries and other benefits	**5,783**	11,354
Share-based payments	**6,094**	27,383
Retirement benefits scheme contributions	**185**	296
	12,062	39,033

46. EVENT AFTER THE REPORTING PERIOD

Establishment of a joint venture company

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

Disposal of Key Rich

Reference was made on 15 August 2016, New Sports Investment Holding Limited (the "NSI"), a subsidiary of the Company entered into a non-legally binding memorandum of understanding ("MOU") with an independent third party in relation to a potential disposal of the entire interests in Key Rich for a consideration of HK$60,000,000. The MOU was subsequently expired in February 2017.

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

* *For identification purpose only*