

LETTER FROM THE NSG BOARD



NEW SPORTS GROUP LIMITED

新體育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00299)

Executive NSG Directors:

Mr. Yao Jianhui (*Chairman*)
Mr. Zhang Xiaodong (*Vice Chairman*)
Mr. Li Minbin
Ms. Xia Lingjie

Registered office:

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

Non-executive NSG Director:

Mr. Lau Wan Po
Mr. Wu Teng
Ms. Zhan Yushan
Mr. Chen Kaiben

*Principal place of business
in Hong Kong*

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

Independent non-executive NSG Directors:

Mr. Chen Zetong
Ms. He Suying
Dr. Tang Lai Wah
Mr. Wong Chun Bong

3 May 2019

To the NSG Independent Shareholders,

Dear Sir/Madam,

**UNCONDITIONAL MANDATORY SECURITIES EXCHANGE OFFER
WITH CASH ALTERNATIVE BY
CCB INTERNATIONAL CAPITAL LIMITED
FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE
ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF
NEW SPORTS GROUP LIMITED (OTHER THAN THOSE ALREADY
OWNED OR AGREED TO BE ACQUIRED BY THE OFFEROR AND
PARTIES ACTING IN CONCERT WITH IT)**

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1. INTRODUCTION

Reference is made to the Joint Announcement. As set out in the Joint Announcement, on 17 January 2019, the Vendor Parties and the Offeror entered into the Sale and Purchase Agreement, pursuant to which the Vendors conditionally agreed to sell and the Offeror conditionally agreed to acquire the Sale Shares (being in aggregate 1,509,180,611 NSG Shares), representing approximately 37.18% of the entire issued share capital of NSG as at the Latest Practicable Date. The consideration for the Sale Shares pursuant to the Sale and Purchase Agreement would be settled by CGG allotting and issuing the Consideration Shares (being in aggregate 1,509,180,611 new CGG Shares, representing approximately 5.51% of the existing issued share capital of CGG) on the basis of one (1) new CGG Share for every NSG Share sold as Sale Share.

With reference to the announcements jointly issued by CGG, the Offeror and NSG dated 18 March 2019 and 23 April 2019, Completion took place on 23 April 2019 in respect of a total of 1,508,505,611 Sale Shares (instead of 1,509,180,611 Sale Shares) as Mr. Zhang Xiaodong was only able to deliver 800,000 Sale Shares (instead of 1,475,000 Sale Shares) to the Offeror at Completion and he had retained 675,000 NSG Shares immediately upon Completion. The adjusted number of Consideration Shares issued to the Vendors at Completion was 1,508,505,611 new CGG Shares, representing approximately 5.51% of the issued share capital of CGG as at the Latest Practicable Date.

Prior to Completion, the Offeror Concert Group held in aggregate 1,187,991,287 NSG Shares, representing approximately 29.26% of the issued share capital of NSG. Immediately after Completion and as at the Latest Practicable Date, the Offeror Concert Group directly held in aggregate 2,696,496,898 NSG Shares, representing approximately 66.42% of the issued share capital of NSG. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory general offer for all the issued NSG Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

Further terms and the procedures of acceptances of the Offer are set out in the “Letter from CCBI Capital” and Appendix I to this Composite Offer Document of which this letter forms part. The purpose of this Composite Offer Document is to provide you with, among other things, (i) the details of the Offer (including the expected timetable and terms of the Offer); (ii) the letter from the NSG Board; (iii) a letter of recommendation from the Independent Board Committee to the NSG Independent Shareholders in relation to the Offer; (iv) a letter of advice from Gram Capital to the Independent Board Committee and the NSG Independent Shareholders in relation to the Offer; and (v) information relating to the NSG Group, CGG and the Offeror, together with the Form of Acceptance.

2. MANDATORY UNCONDITIONAL GENERAL OFFER

As at the Latest Practicable Date, there were 4,059,556,212 NSG Shares in issue and the Offeror Concert Group was interested in a total of 2,696,496,898 NSG Shares, representing approximately 66.42% of the issued share capital of NSG. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is making an unconditional mandatory general offer for all the issued NSG Shares (other than those already owned or agreed to be acquired by the Offeror

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and parties acting in concert with it). There has been no change to the issued share capital of NSG from the date of the Joint Announcement to the Latest Practicable Date. It is anticipated by NSG that 111,548,585 Yue Jin Retained Shares will be issued by NSG after despatch of the Composite Offer Document.

As at the Latest Practicable Date, there were no outstanding warrants, options, derivatives or convertible securities issued by NSG which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into NSG Shares.

CCBI Capital, on behalf of the Offeror and in compliance with the Takeovers Code, is making the offer for all the issued NSG Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) in accordance with the Takeovers Code on the following basis:

(a) Share Alternative:

For each Offer Share one (1) new CGG Share; or

(b) Cash Alternative:

For each Offer Share HK\$0.435 in cash

The ratio under the Share Alternative is the same as the ratio of one (1) new CGG Share for every NSG Share sold as Sale Share by the Vendors under the Sale and Purchase Agreement.

The cash consideration per Offer Share under the Cash Alternative is based on the weighted average traded price of board lots of CGG Shares on the date of the Sale and Purchase Agreement.

The Offer is extended to all NSG Independent Shareholders in accordance with the Takeovers Code. The NSG Independent Shareholders may elect to accept the Share Alternative or the Cash Alternative at their discretion. The NSG Independent Shareholders may elect to accept the Offer partly for the Share Alternative and partly for the Cash Alternative.

The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances and together with all rights attached thereto, including but not limited to the right to receive all dividends and distributions which may be paid, made or declared on or after the date on which the Offer is made, being the date of the posting of the Composite Offer Document.

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in the "Letter from CCBI Capital" as set out on page 14 to 16 of this Composite Offer Document and Appendix I to this Composite Offer Document and the accompanying Form of Acceptance.

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3. INFORMATION ON NSG GROUP

NSG is a company incorporated in the Cayman Islands with limited liability, and its shares are listed on the main board of the Stock Exchange (stock code: 00299). NSG Group is principally engaged in property development and investment in the PRC, trading of commodities in the PRC, operation of a yacht club, provision of training services and provision of online game service and platform service.

Your attention is drawn to the financial information of the NSG Group set out in Appendix II, the general information of the NSG Group set out in Appendix V and the valuation report on the property interest of the NSG Group set out in Appendix VI to this Composite Offer Document.

4. SHAREHOLDING STRUCTURE OF NSG

The following table sets out the shareholding structure of NSG as at the Latest Practicable Date:

Shareholders	As at the Latest Practicable Date	
	<i>Number of NSG Shares</i>	<i>Approximate %</i>
Mr. Zhang Xiaodong <i>The Offeror Concert Group</i>	675,000	0.02
The Offeror (<i>Note 1</i>)	1,528,375,611	37.65
Hong Kong Bao Da Financial Holdings Limited (<i>Note 1</i>)	1,144,151,739	28.18
Glory Sun Securities Limited (<i>Note 1</i>)	21,129,048	0.52
Mr. Yao Jianhui (<i>Note 2</i>)	1,314,000	0.03
Mr. Li Minbin (<i>Note 3</i>)	306,500	0.01
Mr. Zhang Chi (<i>Note 4</i>)	1,220,000	0.03
Sub-total of the Offeror Concert Group	2,696,496,898	66.42
Public shareholders	1,362,384,314	33.56
Total	4,059,556,212	100.00

1. Each of the Offeror and Hong Kong Bao Da Financial Holdings Limited is a wholly-owned subsidiary of CGG and Glory Sun Securities Limited is a non-wholly owned subsidiary of CGG in which CGG holds 77.6% effective interest.
2. Mr. Yao Jianhui is an executive director and the chairman of NSG and is also an executive director, the chairman and chief executive officer of CGG. He is also a controlling shareholder (as defined under the Listing Rules) of CGG. He is deemed to be interested in all the NSG Shares held by the Offeror, Hong Kong Bao Da Financial Holdings Limited and Glory Sun Securities Limited by virtue of the SFO.

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3. Mr. Li Minbin is an executive director of NSG and is also an executive director of CGG.
4. Mr. Zhang Chi is an executive director of CGG.
5. The aggregate of the percentage figures in the table above may not add up to the relevant sub-total or total percentage figures shown due to rounding of the percentage figures to two decimal places.

5. INFORMATION ON THE OFFEROR AND INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Your attention is drawn to the sections headed “Information on the Offeror and the CGG Group” and “The Offeror’s intention in relation to the NSG Group” in the “Letter from CCBI Capital” in this Composite Offer Document.

As disclosed in the Letter from CCBI Capital in this Composite Offer Document, after Completion the Offeror and parties acting in concert with it have become the controlling shareholders of NSG. As at the Latest Practicable Date, the NSG Board was given to understand that the Offeror intended to continue the existing principal businesses of the NSG Group and had no intention to discontinue the employment of the employees (save for changes in the composition of the board of directors of NSG) or to dispose or re-deploy the assets of the NSG Group other than those in its ordinary course of business.

The NSG Board is aware of the intention of the Offeror in respect of NSG as disclosed and is willing to render reasonable co-operation with the Offeror which is in the interests of NSG and the NSG Independent Shareholders as a whole.

6. PROPOSED CHANGE OF BOARD COMPOSITION OF NSG

Your attention is drawn to the section headed “Proposed Change of Board Composition of NSG” in the “Letter from CCBI Capital” as set out on page 22 in this Composite Offer Document.

The NSG Board is currently made up of twelve directors, comprising (i) four executive directors, namely Mr. Yao Jianhui (chairman), Mr. Zhang Xiaodong (vice chairman), Mr. Li Minbin and Ms. Xia Lingjie, (ii) four non-executive directors, namely Mr. Lau Wan Po, Mr. Wu Teng, Ms. Zhan Yushan and Mr. Chen Kaiben, and (iii) four independent non-executive directors, namely Mr. Chen Zetong, Ms. He Suying, Dr. Tang Lai Wah and Mr. Wong Chun Bong.

As at the date of Latest Practicable Date, the Offeror had not decided on the future composition of the board of directors of NSG and no change in the board of directors of NSG had been requested by the Offeror at Completion.

Any changes to the NSG Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement will be made by NSG as and when appropriate.

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7. MAINTAINING THE LISTING STATUS OF NSG

As disclosed in the “Letter from CCBI Capital” contained in this Composite Offer Document, the Offeror intends NSG to remain listed on the main board of the Stock Exchange. The directors of the Offeror and NSG have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the NSG Shares.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to NSG, being 25% of the issued NSG Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the NSG Shares; or (ii) that there are insufficient NSG Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the NSG Shares.

The Stock Exchange will also closely monitor all acquisitions or disposals of assets by NSG. Under the Listing Rules, the Stock Exchange has the power pursuant to the Listing Rules to aggregate a series of transactions entered into by NSG within 24 months after a change in control and any such transactions may result in NSG being treated as if it were a new listing applicant and subject to the requirement for new applicants as set out in the Listing Rules.

8. INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Ms. Zhan Yushan who is a non-executive director of NSG, Mr. Chen Zetong, Ms. He Suying and Dr. Tang Lai Wah who are independent non-executive directors of NSG, has been established by NSG to advise the NSG Independent Shareholders in relation to the terms and conditions of the Offer, in particular as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

Mr. Lau Wan Po, Mr. Wu Teng and Mr. Chen Kaiben, who are non-executive directors of NSG, and Mr. Wong Chun Bong, who is an independent non-executive director of NSG, have not been included as members of the Independent Board Committee on the basis that (i) each of Mr. Lau Wan Po and Mr. Chen Kaiben is also a non-executive director of CGG, and Mr. Wong Chun Bong is also an independent non-executive director of CGG, and therefore each of them is presumed to be acting in concert with CGG and the Offeror under class (2) of the definition of “acting in concert” under the Takeovers Code in respect of the Offer; and (ii) Mr. Wu Teng is interested in the entire issued share capital of Tengyue Limited which is one of the Vendors and he is also a party to the Sale and Purchase Agreement, and therefore he is deemed to have material interest in the Offer.

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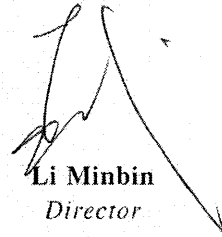
9. ADVICE AND RECOMMENDATIONS

The Independent Board Committee has been established to make recommendations to the NSG Independent Shareholders as to whether the Offer are fair and reasonable and as to the acceptance of the Offer. Your attention is drawn to the "Letter from the Independent Board Committee" in this Composite Offer Document which sets out its advice and recommendation to the NSG Independent Shareholders in relation to the Offer, and the "Letter from Gram Capital" as set out in this Composite Offer Document containing its advice and recommendation to the Independent Board Committee in respect of the Offer.

10. ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Offer Document. You are also recommended to read carefully the Appendix I to this Composite Offer Document and the accompanying Form of Acceptance for further details in respect of the procedures for acceptance of the Offer.

Yours faithfully,
On behalf of the Board
New Sports Group Limited


Li Minbin
Director