
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in New Sports Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to licenced securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.



New Sports Group Limited 新體育集團有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 299)

**PLACING OF NEW SHARES UNDER SPECIFIC MANDATE;
CONNECTED TRANSACTION INVOLVING
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committees and the Independent Shareholders**



Placing Agent



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” of this circular.

A letter from the Board is set out on pages 4 to 19 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 20 to 21 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 52 of this circular.

A notice convening the EGM to be held at Unit 2602, 26/F., Lippo Centre, Tower 1, No. 89 Queensway, Admiralty, Hong Kong on Friday, 23 February 2018 at 11:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting at the EGM or any adjourned meeting (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

6 February 2018

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context otherwise requires:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are open for business
“Company”	New Sports Group Limited, a limited liability company incorporated in the Cayman Islands and whose shares which are listed on the Main Board of the Stock Exchange (stock code: 299)
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Placing and the Subscription and the transactions contemplated thereunder and the Increase in Authorised Share Capital, which is expected to be held at Unit 2602, 26/F., Lippo Centre, Tower 1, No. 89 Queensway, Admiralty, Hong Kong on Friday, 23 February 2018 at 11:00 a.m. and any adjournment thereof
“Group”	collectively, the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$200,000,000 divided into 4,000,000,000 Shares to HK\$400,000,000 divided into 8,000,000,000 Shares by the creation of an additional 4,000,000,000 new Shares
“Independent Board Committee”	the independent Board committee comprising all independent non-executive Directors, to advise the Independent Shareholders on the terms of the Placing Agreement, the Subscription Agreement and the transactions contemplated thereunder

DEFINITIONS

“Independent Financial Adviser”	First Shanghai Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Placing Agreement, the Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than the Subscriber and its associates
“Latest Practicable Date”	2 February 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wu”	Mr. Wu Teng (吳騰)
“Placee(s)”	any person or entity procured by the Placing Agent or its agent(s) to subscribe for any Placing Shares pursuant to the terms of the Placing Agreement
“Placing”	the placing of up to 1,634,502,485 new Shares by the Placing Agent pursuant to the terms of the Placing Agreement
“Placing Agent”	CCB International Capital Limited, the placing agent and a licensed corporation carrying out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Placing Agreement”	the agreement dated 10 January 2018 entered into between the Company and the Placing Agent in respect of the Placing
“Placing Completion Date”	the date of completion of the Placing
“Placing Price”	the placing price of HK\$0.50 per Placing Share
“Placing Shares”	a total of up to 1,634,502,485 new Shares to be placed pursuant to the Placing Agreement
“PRC”	the People’s Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Tengyue Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Wu
“Subscription”	subscription of the Subscription Shares by the Subscriber at the Subscription Price pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 10 January 2018 entered into between the Company and the Subscriber in respect of the Subscription
“Subscription Price”	the subscription price of HK\$0.50 per Subscription Share
“Subscription Share(s)”	a total of 408,625,621 new Shares to be allotted and issued by the Company to the Subscriber under the Subscription Agreement
“Substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	per cent.

For the purpose of illustration only and unless otherwise stated, conversion from RMB to HK\$ in this circular is based on the exchange rate of RMB1.00 to HK\$1.20. Such conversion should not be construed as a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate.

This circular has been printed in English and Chinese. In the event of any inconsistency, the English text of this circular shall prevail over its Chinese text.



New Sports Group Limited
新體育集團有限公司
(Incorporated in Cayman Islands with limited liability)
(Stock Code: 299)

Executive Directors:

Mr. Zhang Xiaodong

(Chairman and Chief Executive Officer)

Ms. Xia Lingjie

Non-executive Director:

Mr. Lau Wan Po

Independent Non-executive Directors:

Mr. Chen Zetong

Ms. He Suying

Dr. Tang Lai Wah

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

*Head Office and Principal Place
of Business in Hong Kong:*

Unit 2602, 26/F.

Lippo Centre, Tower 1

No. 89 Queensway

Admiralty Hong Kong

6 February 2018

To the Shareholders,

Dear Sir or Madam,

**PLACING OF NEW SHARES UNDER SPECIFIC MANDATE;
CONNECTED TRANSACTION INVOLVING
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
AND
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

INTRODUCTION

As announced by the Company in the announcement of the Company dated 10 January 2018, the Company entered into the Placing Agreement and the Subscription Agreement in relation to the Placing and the Subscription and the Board also proposed the Increase in Authorised Share Capital.

LETTER FROM THE BOARD

The purpose of this circular is to provide you, among other things, (i) further details of the Placing and the Subscription; (ii) a letter of recommendation from the Independent Board Committee in relation to the Placing, the Subscription and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser in relation to the Placing, the Subscription and the transactions contemplated thereunder; (iv) further details of the Increase In Authorised Share Capital; and (v) a notice convening the EGM.

THE PLACING

The Placing Agreement

Date

10 January 2018

Parties

Issuer : The Company

Placing Agent : CCB International Capital Limited

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Placing Agent is a third party independent of the Company and its connected persons.

Number of Placing Shares

Pursuant to the Placing Agreement, the Placing Agent has conditionally agreed to, on a best effort basis, procure placees to subscribe for of up to 1,634,502,485 new Shares having an aggregate nominal value of HK\$81,725,124.25 at the Placing Price of HK\$0.50 per Placing Share during the period commencing from the date of the Placing Agreement to the Placing Completion Date.

The Placing Shares represent (i) approximately 80.00% of the issued share capital of the Company as at the Latest Practicable Date; (ii) assuming the Placing Shares are fully placed under the Placing, approximately 44.44% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares; and (iii) approximately 40.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares and the Subscription Shares in aggregate, subject to completion of the Placing and the Subscription.

LETTER FROM THE BOARD

The Company shall pay to the Placing Agent a placing commission in Hong Kong dollars, of 0.5% of the amount which is equal to the Placing Price multiplied by the number of the Placing Shares actually placed by the Placing Agent. The commission rate was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to commission fees paid by other listed companies for similar placing transactions. The Placing Agent hopes to build a long term relationship with the Company by accepting such commission fee.

Placees

The Placing Agent undertakes to use its best endeavours to procure confirmations from its Placees confirming to the effect that the Placing Shares shall only be subscribed by such persons or companies whose themselves and (to their best knowledge) their respective beneficial owners (if applicable) are third parties independent of the Company and its connected persons.

As advised by the Placing Agent, as at the Latest Practicable Date, the Placing Agent (i) has not yet procured any Placees; (ii) is not able to confirm whether the ultimate number of Placees will be less than six; and (iii) is not able to confirm whether any of the Placees will become a substantial Shareholder. Once the identities of the Placees have been confirmed by the Placing Agent, the Company will make appropriate disclosure in accordance with the requirements under the Listing Rules.

Conditions precedent to the Placing

The Placing is conditional upon the following matters:

- (i) the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Placing Shares;
- (ii) the passing by the Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules in the EGM to be convened and held of resolution(s) to approve the Increase in Authorized Share Capital;
- (iii) the passing by the Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules in the EGM to be convened and held of resolution(s) to approve the Placing Agreement and the transactions contemplated thereunder including the allotment and issue of the Placing Shares;
- (iv) all necessary approvals, permits and consents in relation to the transactions contemplated under the Placing Agreement and the allotment and issue of the Placing Shares being obtained; and

LETTER FROM THE BOARD

- (v) no representation, warranty or undertaking under the Placing Agreement having been breached by the Company or is otherwise rendered inaccurate, untrue or misleading in any material respect, in each case on or prior to the Placing Completion Date.

As at the Latest Practicable Date, (a) the conditions set out in clause (i) to (iii) above have not been fulfilled; (b) in respect of the condition set out in clause (iv) above, save for the Board has passed resolution to approve the execution of the Placing Agreement, all other necessary approvals, permits and consents in relation to the transactions contemplated under the Placing Agreement and the allotment and issue of the Placing Shares have not been obtained; and (c) in respect of the condition set out in clause (v) above, to the best knowledge, information and belief of the Board, no representation, warranty or undertaking under the Placing Agreement has been breached by the Company or is otherwise rendered inaccurate, untrue or misleading in any material aspect.

The Placing Agent may at its absolute discretion at any time waive in writing the condition set out in clause (v) above (to the extent it is capable of being waived) and such waiver may be made subject to such terms and conditions as are determined by the Placing Agent. The conditions set out in clauses (i), (ii), (iii) and (iv) above are incapable of being waived. The Company shall use its best endeavours to procure the fulfillment of the conditions referred to in “Conditions precedent to the Placing” and in the event the conditions referred to in “Conditions precedent to the Placing” are not fulfilled or waived at 5:00 p.m. (Hong Kong time) on or before 30 June 2018 (or such later date as may be agreed between the parties to the Placing Agreement in writing), all rights, obligations and liabilities of the parties to the Placing Agreement shall cease and terminate and neither of the parties to the Placing Agreement shall have any claim against the other save for any antecedent breach of any right or obligation under the Placing Agreement prior to such termination.

Termination

Notwithstanding anything contained in the Placing Agreement to the contrary, the Placing Agent shall be entitled by notice to the Company given prior to 6:00 p.m. on the Business Day immediately preceding the Placing Completion Date to forthwith terminate the Placing Agreement if any of the following events comes to the attention of the Placing Agent:

- (i) in the reasonable opinion of the Placing Agent, the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international

LETTER FROM THE BOARD

outbreak or escalation of hostilities or armed conflict or acts of government, strikes, lockouts, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, outbreak of diseases or epidemics (including Severe Acute Respiratory Syndrome, avian influenza A (H5N1) or such related/mutated forms) or interruption or delay in transportation, or affecting local securities market or the occurrence of any combination of circumstances as would be likely to be materially adverse to the success of the Placing; or

- (ii) there is any material adverse change in the financial position of the Company which in the reasonable opinion of the Placing Agent is material in the context of the Placing; or
- (iii) any new law or regulation or any change or development involving a prospective change in existing laws and regulations in any relevant jurisdiction which in the reasonable opinion of the Placing Agent has or is likely to have a material adverse effect on the financial position of the Company and/or of the Group as a whole; or
- (iv) any outbreak or escalation of hostilities or act of terrorism involving Hong Kong or the PRC or the declaration by Hong Kong or the PRC of a national emergency or war; or
- (v) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise at any time prior to the Placing Completion Date; or
- (vi) if there has come to the notice and in the reasonable opinion of the Placing Agent:
 - (a) any material breach of the warranties provided by the Company under the Placing Agreement; or
 - (b) any material breach of any of the obligations imposed upon the Company; or
 - (c) any act or thing done by or omission of any member of the Group otherwise than in the ordinary course of business whereby any of the warranties provided by the Company under the Placing Agreement would not be true in any material respect if given at that time.

If notice is given pursuant to termination clause of the Placing Agreement, the Placing Agreement shall terminate and be of no further effect and neither party shall be under any liability to the other party in respect of the Placing Agreement save for the Company shall remain liable to pay the costs and expenses of the Placing Agent under the Placing Agreement

LETTER FROM THE BOARD

and any liabilities and any antecedent breach of any right or obligation under the Placing Agreement prior to such termination.

Completion of the Placing

Completion shall take place on the fifth Business Day after all the conditions set out in the paragraph headed “Conditions precedent to the Placing” above are satisfied or waived, if capable of being waived, or such later date as may be agreed between the parties to the Placing Agreement in writing.

THE SUBSCRIPTION

The Subscription Agreement

Date

10 January 2018

Parties

Issuer : the Company

Subscriber : Tengyue Limited

The Subscriber is a limited company incorporated in the British Virgin Islands and is wholly owned by Mr. Wu. As at the Latest Practicable Date, the Subscriber is an investment holding company and is a substantial Shareholder which holds 340,521,351 Shares, representing approximately 16.67% of the issued share capital of the Company.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Mr. Wu is currently the shareholder and general manager of 廣東長江電纜有限公司 (Guangdong Changjiang Electric Cable And Wire Co., Ltd.*), a company incorporated in the PRC in 1995, which is principally engaged in wire and cable’s trading business and has established business relations with other well-known enterprises in the field of electric power, construction, communications and manufacturing. In 2017, Mr. Wu established the Subscriber for the purpose of equity investment in Hong Kong.

* For identification purpose only

LETTER FROM THE BOARD

The Subscription Shares

The Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 408,625,621 new Shares at the Subscription Price of HK\$0.50 per Subscription Share to the Subscriber. The Subscription Shares have a nominal value of HK\$20,431,281.05.

The Subscription Shares represent (i) approximately 20.00% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 10.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares and the Subscription Shares in aggregate, subject to completion of the Placing and the Subscription.

Conditions precedent to the Subscription

Completion of the Subscription is conditional upon fulfillment of the following conditions:

- (a) the Listing Committee granting the listing of, and permission to deal in, the Subscription Shares;
- (b) the passing by the Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules in the EGM to be convened and held of resolution(s) to approve the Increase in Authorised Share Capital;
- (c) the Subscription will not cause any person to be obliged to make a mandatory offer pursuant to the Rule 26 of the Takeovers Code;
- (d) the passing of the resolution by the Independent Shareholders at the EGM approving the grant of specific mandate relating to the allotment and issue of the Subscription Shares in accordance with the Listing Rules; and
- (e) all conditions precedent of the Placing Agreement having been fulfilled (other than the fulfilment of any condition in the Placing Agreement requiring the fulfilment of the conditions precedent of the Subscription Agreement) and not being terminated in accordance with its terms and conditions.

All conditions as set out in clauses (a) to (e) above are incapable of being waived. As at the Latest Practicable Date, all conditions as set out in clauses (a) to (e) above have not been fulfilled.

LETTER FROM THE BOARD

If any of the foregoing condition is not fulfilled on or prior to 5:00 p.m. on 30 June 2018 or such later time and date as the Company and the Subscriber may from time to time agree in writing, the Subscription Agreement shall terminate and none of the parties shall have any claim against the other for any costs or losses (save for any prior breach of the Subscription Agreement).

Completion of the Subscription

Completion of the Subscription will take place within 15 Business Days following the fulfillment of the conditions precedent of the Placing or such other date as the parties to the Subscription Agreement may agree in writing.

PLACING PRICE AND SUBSCRIPTION PRICE

Each of the Placing Price and the Subscription Price is fixed at HK\$0.50 per Placing Share and Subscription Share, respectively, which represents:

- (i) a discount of approximately 21.88% to the closing price of HK\$0.64 per Share as quoted on the Stock Exchange on 10 January 2018, being the date of the Placing Agreement and the Subscription Agreement;
- (ii) a discount of approximately 27.11% to the average closing price of approximately HK\$0.686 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 10 January 2018;
- (iii) a discount of approximately 31.79% to the average closing price of approximately HK\$0.733 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including 10 January 2018; and
- (iv) a discount/premium of approximately 30.56% to the closing price of HK\$0.72 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Placing Price and Subscription Price were determined and negotiated on an arm's length basis between the Company and the Placing Agent and between the Company and Subscriber with reference to the recent market prices of the Shares and current market conditions. The Directors consider that the Placing Price and the Subscription Price are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, after considering, inter alia,

- (i) the additional finance costs associated with bank financing;

LETTER FROM THE BOARD

- (ii) there was a downward trend of the Company's recent share price in the past one month before the date of the Placing Agreement and the average daily trading volume of approximately 1,537,170 Shares as quoted on the Stock Exchange for the last thirty consecutive trading days immediately prior to and including 10 January 2018, which accounted for approximately 0.0752% of the total number of Shares in issue as at 10 January 2018 and was relatively low as compared with the maximum number of Placing Shares;
- (iii) the unsatisfactory financial performance of the Group with continuing loss making in the past five years ended 31 December 2016;
- (iv) the Company has an imminent need for fund as set out in the section headed "Reasons for and benefits of the Placing and the Subscription and the use of proceeds" in this circular; and
- (v) the Placing Price and the Subscription Price only represent a moderate discount to the closing price of 10 January 2018 and the average closing price of the five consecutive trading days immediately prior to and including 10 January 2018.

Taking into account the expenses of the Placing in the amount of approximately HK\$4.8 million, the net price to the Company of each Placing Share is approximately HK\$0.497 per Placing Share.

Taking into account the expenses of the Subscription in the amount of approximately HK\$0.4 million, the net price to the Company of each Subscription Share is approximately HK\$0.499 per Subscription Share.

Ranking of the Placing Shares and the Subscription Shares

The Placing Shares and the Subscription Shares, when allotted and issued, will rank pari passu in all respects among themselves free from all liens, charges, guarantee, adverse interests and adverse claims, and with the Shares in issue on the date of allotment and issue of the Placing Shares and the Subscription Shares including all dividends declared or payable or distributions made or proposed on or after the date of completion of the Placing and the Subscription.

Application for listing

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares and the Subscription Shares.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The following is the equity fund raising activity conducted by the Group in the past twelve (12) months immediately preceding the Latest Practicable Date:

Date of announcements	Fund raising activity	Net proceeds and intended use	Actual use of the net proceeds
4 December 2017 and 21 December 2017	Issue of 340,521,351 Shares under general mandate	Approximately HK\$187 million, which was intended to finance the Acquisition (as defined below)	Payment was made to the order of the vendor under the Acquisition on 5 January 2018

CHANGES TO THE SHAREHOLDING AS A RESULT OF THE PLACING AND THE SUBSCRIPTION

Set out below is a table showing the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Placing but before the Subscription; and (iii) immediately after completion of the Placing and the Subscription:

Name of Shareholders	As at the Latest Practicable Date		Immediately after completion of the Placing but before the Subscription		Immediately after completion of the Placing and the Subscription	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Origin Development Limited (<i>Note 1</i>)	392,000,000	19.19	392,000,000	10.66	392,000,000	9.59
Zhang Xiaodong (<i>Note 2</i>)	138,175,000	6.76	138,175,000	3.76	138,175,000	3.38
The Subscriber	340,521,351	16.67	340,521,351	9.26	749,146,972	18.33
Public Shareholders						
Placees (<i>Note 3</i>)	—	—	1,634,502,485	44.44	1,634,502,485	40.00
Other public Shareholders	1,172,431,755	57.38	1,172,431,755	31.88	1,172,431,755	28.70
Total	2,043,128,106	100.00	3,677,630,591	100.00	4,086,256,212	100.00

LETTER FROM THE BOARD

1. Origin Development Limited is a company wholly owned by Mr. Zheng Kanghao. Accordingly, Mr. Zheng Kanghao is deemed to be interested in 392,000,000 Shares.
2. Amuse Peace Limited holds 137,500,000 Shares. Amuse Peace Limited 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 137,500,000 Shares owned by Amuse Peace Limited.
3. The Placees (and, where relevant, their ultimate beneficial owners) shall be independent of and not connected with the Company and its connected persons. As at the Latest Practicable Date, the Placing Agent (i) has not yet procured any Placees; (ii) is not able to confirm whether the ultimate number of Placees will be less than six; and (iii) is not able to confirm whether any of the Placees will become a substantial Shareholder. Once the identities of the Placees have been confirmed by the Placing Agent, the Company will make appropriate disclosure in accordance with the requirements under the Listing Rules.

REASONS FOR AND BENEFITS OF THE PLACING AND THE SUBSCRIPTION AND THE USE OF PROCEEDS

The principal businesses currently carried on by the Group are (i) provision of internet sport platform in the PRC; (ii) development of sports stadium operations and the related training in the PRC; (iii) property investment and operations; and (iv) listed securities investment.

As set out in the circular of the Company dated 25 October 2017 and the announcements of the Company dated 13 November 2017 and 17 November 2017, the Group has acquired the entire issued share capital of 深圳博瑞企業管理有限公司 (Shenzhen Borui Enterprise Management Company Limited*) (the “**Acquisition**”) for a cash consideration of RMB950 million, of which, RMB200 million had been settled already. According to the supplemental agreement dated 13 November 2017 with respect to the Acquisition, the payment of the second installment of RMB300 million and the balance of consideration of RMB450 million (together with the related accrued interests where applicable) shall be paid on or before 30 March 2018. As set out in the announcements of the Company dated 4 December 2017 and 21 December 2017, the Group has raised approximately HK\$187 million (approximately RMB156 million) for the Acquisition through a subscription by the Subscriber under the general mandate of the Company to issue new Shares and the net proceed from such subscription had been used to settle part of the balance of the outstanding consideration. Consequently, the outstanding balance of the consideration for the Acquisition is approximately RMB594 million (approximately HK\$713 million).

As set out in the announcements of the Company dated 2 June 2017 and 15 June 2017, the Company has placed the 12% annual coupon unlisted corporate bonds (the “**Corporate Bonds**”) in an aggregate principal amount of HK\$130 million. The maturity date of the Corporate Bonds is 14 June 2018, which shall be repaid by that time.

On 13 June 2017, the Group entered into a loan agreement with China Goldjoy Credit Limited, pursuant to which the Group agreed to pledge certain listed securities in Hong Kong for a loan (the “**Loan**”) of HK\$75 million. The maturity date of the Loan is 13 June 2018, which shall be repaid by that time.

LETTER FROM THE BOARD

Reasons for the Subscription

Mr. Wu has been a business friend with Mr. Zhang Xiaodong (“**Mr. Zhang**”), the Chairman of the Company. To the best knowledge, information and belief of the Directors having made all reasonable enquires, Mr. Wu and his associates have no business relationship with either the Company or Mr. Zhang and Mr. Wu is currently exploring investment opportunities in the fields of property development and sports related business. In view of the recent business plans and development strategies of the Company, among other things, the Acquisition which is in line with his investment plans, Mr. Wu invested in the Company by way of subscription of new Shares under general mandate (the “**First Subscription**”) which was completed on 21 December 2017.

Subsequent to the First Subscription, Mr. Wu understands that the Company still has financial needs for the settlement of the outstanding consideration of Acquisition. In addition, in view of the prospect of the Company, Mr. Wu, through his interest in the Subscriber, entered into the Subscription Agreement.

The Use of Proceed

In order to cope with the financial needs of the Group as mentioned above, the net proceeds from the Placing of approximately HK\$813 million and the Subscription of approximately HK\$203 million after deducting the related expenses are estimated to be approximately HK\$1,016 million, which will be allocated as follows:

- (i) approximately HK\$713 million (from the proceeds of the Placing) for the settlement of the outstanding consideration for the Acquisition on or before 30 March 2018;
- (ii) approximately HK\$146 million (HK\$100 million from the proceeds of the Placing and HK\$46 million from the proceeds of the Subscription) for the repayment of the Corporate Bonds together with the accrued interests which will be due on 14 June 2018;
- (iii) approximately HK\$76 million (from the proceeds of the Subscription) for the repayment of the principal of the Loan together with the last installment of interests which will be due on 13 June 2018;
- (iv) approximately HK\$38 million for the general working capital (comprising salary, marketing expenses, administration expenses, etc.) for the development of sports stadium operations and the related training business;
- (v) approximately HK\$18 million for the general working capital (comprising salary, marketing expenses, administration expenses, etc.) for the property development business in Chaoshan and Changchun; and

LETTER FROM THE BOARD

- (vi) approximately HK\$25 million for the general working capital in Hong Kong (comprising salary, rental, professional expenses, administration expenses, etc.).

The Directors consider that it is in the interests of the Company to raise capital from the equity market in order to maintain the cash flow position of the Group and to enhance the capital and shareholders' base of the Company for long-term development and further strengthen its financial position.

Although the long stop date of the Placing and the Subscription will be 30 June 2018, given the competence and efficiency of the Placing Agent in carrying out the Placing with its best endeavors and it is expected that the Subscriber will be able to complete the Subscription within the agreed time frame as learnt from the last experience of shares subscription in December 2017 with the same subscriber, the Company has confidence that both the Placing and the Subscription could be completed in a promptly manner as soon as the corresponding conditions precedent have been fulfilled and before the long stop date on 30 June 2018. As such, upon completion of the Placing and the Subscription, the Company will have sufficient funds for the settlement of the financial needs of the Group as mentioned above.

However, if the completion of the Placing and the Subscription could not take place before the payment date of the outstanding consideration of the Acquisition on 30 March 2018, the Company would approach the vendor of the Acquisition for extending further the payment deadline of the outstanding consideration. It is expected that the proceeds of approximately HK\$813 million from the Placing will be sufficient for the settlement of the outstanding consideration of the Acquisition of HK\$713 million. If the Placing is completed but the Subscription is not completed, the Company will consider to arrange loan borrowings, such as the placement of new corporate bonds with similar dollar size for the related refinancing of debts upon maturity where the situation permits, for the repayment of the Corporate Bonds and the Loan. As at the Latest Practicable Date, the Company has no other concrete fund raising plans on hand apart from the Placing and the Subscription.

Reference is made to the announcement of the Company dated 13 October 2017 in relation to the recovery of the outstanding receivable amount due by the original shareholders of Kingworld Holdings Limited (“**Kingworld**”). The Company has been still engaged in dialogue with the defaulted parties relating to possible settlement of the claim in adjustment amount and interests since such update. The Board shall be open to any proposal/offer for disposing of the entire interest in Kingworld should it be one of the possible alternatives for recovering the sum concerned and thus protecting the interests of the Shareholders of the Company.

As set out in the announcement of the Company dated 28 December 2017 in relation to the acquisition of land use rights in Changchun, the PRC, the Group has expanded its business to property development following the completion of the Acquisition. The Group will endeavor to expand its property development business, and will increase management and resources to identify and manage such development projects in future.

LETTER FROM THE BOARD

As at the Latest Practicable Date, save as disclosed above, the Board has not entered into any agreement, arrangement or understandings or has any intention to (i) acquire any other new business; and/or (ii) dispose of or downsize any of the Company's other existing businesses or material operating assets.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorized share capital of the Company is HK\$200,000,000.00 divided into 4,000,000,000 Shares, of which 2,043,128,106 Shares have been issued and are fully paid or credited as fully paid up. Subject to completion of the Placing and the Subscription, the Company shall allot and issue 2,043,128,106 new Shares in aggregate.

Taking into account the aforesaid and in order to provide the Company with flexibility for fund raising by allotting and issuing new Shares in the future as and when appropriate for future investment opportunities and other corporate purposes, the Board proposed to increase the authorised share capital of the Company from HK\$200,000,000 divided into 4,000,000,000 Shares to HK\$400,000,000 divided into 8,000,000,000 Shares by the creation of additional 4,000,000,000 new Shares, all of which will rank pari passu with all existing Shares. The proposed Increase in Authorised Share Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM.

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, the Subscriber is a substantial Shareholder which holds 340,521,351 Shares, representing approximately 16.67% of the issued share capital of the Company. Since the Subscriber is a substantial Shareholder and hence a connected person of the Company under the Listing Rules, the Subscription will constitute a connected transaction for the Company, and is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Placing is subject to the Independent Shareholders' approval. The Placing Shares will be allotted and issued under the specific mandate to allot, issue and deal with the Shares by an ordinary resolution to be proposed for approval by the Independent Shareholders at the EGM.

The Subscription is subject to the Independent Shareholders' approval. The Subscription Shares will be allotted and issued under the specific mandate to allot, issue and deal with the Shares by an ordinary resolution to be proposed for approval by the Independent Shareholders at the EGM.

LETTER FROM THE BOARD

EGM

The EGM will be held for the purpose of considering and, if thought fit, approving the relevant ordinary resolution(s) in respect of the grant of the specific mandate, the Placing, the Subscription and the transactions contemplated thereunder and the Increase in Authorised Share Capital. Any Shareholder with a material interest in the relevant transactions as contemplated under the ordinary resolutions and his close associate will abstain from voting on the relevant resolutions approving the said transactions.

As completion of the Subscription is conditional on the completion of the Placing and the Subscriber is a substantial Shareholder who is a party to the Subscription, the Subscriber and its associates, which hold 340,521,351 Shares, representing approximately 16.67% of the issued share capital of the Company as at the Latest Practicable Date, have a material interest in the Placing and will be required to abstain from voting on the resolution(s) to approve the Placing and the transactions contemplated thereunder at the EGM. Save as disclosed above, to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the transactions contemplated under the Placing Agreement and will be required to abstain from voting on the resolution(s) to approve the Placing Agreement and the transactions contemplated thereunder at the EGM.

In accordance with the Listing Rules, the Subscriber and its associates will be required to abstain from voting on the resolution(s) to approve the Subscription and the transactions contemplated thereunder at the EGM. Save as disclosed above, to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the transactions contemplated under the Subscription Agreement and will be required to abstain from voting on the resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM.

The notice of the EGM of the Company is set out on pages EGM-1 to EGM-4 of this circular. If you do not intend to attend and vote at the EGM in person, you are requested to complete and return the enclosed form of proxy to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, on Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. The completion and delivery of a form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes for the Shareholders at a general meeting must be taken by poll. As such, all resolutions to be proposed at the EGM will be put to vote by way of poll.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the Placing Agreement, the Subscription Agreement and the respective transaction(s) contemplated thereunder are fair and reasonable and on normal commercial terms, and are in the interests of the Group and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of the resolution(s) in relation to the Placing Agreement and the Subscription Agreement at the EGM.

The Directors (including the independent non-executive Directors) consider that the Increase in Authorised Share Capital is in the best interests of the Company and the Shareholders as a whole and so recommend all Shareholders to vote in favour of the resolution to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendix to this circular.

Yours faithfully
For and on behalf of the Board of
New Sports Group Limited
Zhang Xiaodong
Chairman



New Sports Group Limited
新體育集團有限公司
(Incorporated in Cayman Islands with limited liability)
(Stock Code: 299)

6 February 2018

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION INVOLVING
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE**

We refer to the circular of the Company to the Shareholders dated 6 February 2018 (the “**Circular**”) of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board as members to constitute the Independent Board Committee and to advise the Independent Shareholders in respect of the terms of the Placing Agreement and the Subscription Agreement. We wish to draw your attention to the letter from the Board on pages 4 to 19 of the Circular, which sets out details of the Placing Agreement and the Subscription Agreement. We also wish to draw your attention to the letter from the Independent Financial Adviser on pages 22 to 52 of the Circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Placing Agreement and the Subscription Agreement.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the terms of the Placing Agreement and the Subscription Agreement and the advice and recommendation of the Independent Financial Adviser, we consider that the Placing and the Subscription shall be regarded as corporate financing activities instead of usual operating activities of the Group, and therefore are not conducted in its ordinary and usual course of business; but the terms of the Placing Agreement and the Subscription Agreement are on normal commercial terms and that such terms are fair and reasonable so far as the Independent Shareholders are concerned, and the Placing Agreement and the Subscription Agreement are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) which is proposed at the EGM to approve the Placing Agreement and the Subscription Agreement (including the grant of the specific mandate).

Yours faithfully,

For and on behalf of the
Independent Board Committee

Mr. Chen Zetong Ms. He Suying Dr. Tang Lai Wah

Independent non-executive Directors

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Placing and the Subscription pursuant to the Placing Agreement and the Subscription Agreement, respectively, (including the grant of specific mandate to allot and issue the Subscription Shares (the “Specific Mandate”)) prepared for the purpose of inclusion in this circular.



19th Floor
Wing On House
71 Des Voeux Road Central
Hong Kong

6 February 2018

*To the Independent Board Committee and
the Independent Shareholders*

New Sports Group Limited
Unit 2602, 26th Floor, Lippo Centre, Tower 1
No. 89 Queensway
Admiralty
Hong Kong

Dear Sirs,

PLACING OF NEW SHARES UNDER SPECIFIC MANDATE AND CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Placing and the Subscription pursuant to the Placing Agreement and the Subscription Agreement, respectively, (including the grant of the Specific Mandate), details of which are contained in the circular to the Shareholders dated 6 February 2018 (the “Circular”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As set out in the “Letter from the Board” contained in the Circular, on 10 January 2018, the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent has conditionally agreed to procure placees, on a best effort basis to subscribe for of up to 1,634,502,485 new Shares at the Placing Price of HK\$0.50 per Placing Share during the period commencing from the date of the Placing Agreement to the Placing Completion Date.

The Placing Shares represent (i) approximately 80.00% of the issued share capital of the Company as at the Latest Practicable Date; (ii) assuming the Placing Shares are fully placed under the Placing, approximately 44.44% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares; and (iii) approximately 40.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares and the Subscription Shares in aggregate, subject to completion of the Placing and the Subscription.

On 10 January 2018, the Company also entered into the Subscription Agreement with the Subscriber pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 408,625,621 new Shares at the Subscription Price of HK\$0.50 per Subscription Share to the Subscriber.

The Subscription Shares represent (i) approximately 20.00% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 10.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares and the Subscription Shares in aggregate, subject to completion of the Placing and the Subscription.

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, the Subscriber is a substantial Shareholder which holds 340,521,351 Shares, representing approximately 16.67% of the issued share capital of the Company. Since the Subscriber is a substantial Shareholder and hence a connected person of the Company under the Listing Rules, the Subscription will constitute a connected transaction for the Company, and is subject to the announcement, reporting and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Placing is subject to the Independent Shareholders’ approval. The Placing Shares will be allotted and issued under the specific mandate to allot, issue and deal with the Shares by an ordinary resolution to be proposed for approval by the Independent Shareholders at the EGM.

The Subscription is subject to the Independent Shareholders’ approval. The Subscription Shares will be allotted and issued under the specific mandate to allot, issue and deal with the Shares by an ordinary resolution to be proposed for approval by the Independent Shareholders at the EGM.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As completion of the Subscription is conditional on the completion of the Placing and the Subscriber is a substantial Shareholder who is a party to the Subscription, the Subscriber and its associates have a material interest in the Placing and will be required to abstain from voting on the resolution(s) to approve the Placing and the transactions contemplated thereunder at the EGM. Save as disclosed above, to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the transactions contemplated under the Placing Agreement and will be required to abstain from voting on the resolution(s) to approve the Placing Agreement and the transactions contemplated thereunder at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Chen Zetong, Ms. He Suying and Dr. Tang Lai Wah, has been established to advise the Independent Shareholders as to (i) whether the terms of the Placing Agreement and the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, conducted on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole; and (ii) give a recommendation to the Independent Shareholders in respect of the voting on the ordinary resolution(s) to be proposed at the EGM.

We are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. As at the Latest Practicable Date, we were not aware of any relationships or interests between the Group and us during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to our independence to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders. Besides, apart from the advisory fee and expenses payable to us in connection with our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Group.

BASIS OF OUR ADVICE

In arriving at our recommendation, we have relied on the information and facts provided by the Company and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company (the “**Management**”). We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and the Management,

LETTER FROM INDEPENDENT FINANCIAL ADVISER

for which they are solely responsible for, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular while the omission of which would make any such statement contained in the Circular misleading. We consider that we have been provided with sufficient information to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstances which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations while the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the Management, nor have we conducted an independent investigation into the business and affairs of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation regarding the Placing and the Subscription, we have taken into consideration the following principal factors:

1. Background of the Group

The Company was incorporated in the Cayman Islands with limited liability, the shares of which have been listed on the Main Board of the Stock Exchange since 30 April 2004.

The Group is principally engaged in the (i) provision of Internet sport platform in the PRC; (ii) development of sports stadium operations and the related training in the PRC; (iii) property investment and operations; and (iv) listed securities investment.

2. Financial information on the Group

Overview

Since the financial year ended 31 December (the “FY(s)”) 2012, the Group had been experiencing losses for several consecutive FYs, including the FY 2016. The Group recorded a huge net loss attributable to owners of the Company of approximately HK\$861.6 million for the FY 2016. The net losses over the years were basically attributed

LETTER FROM INDEPENDENT FINANCIAL ADVISER

to the decreasing trend in revenue from its continuing operations commencing from the FY 2014, and the significant amount of impairment of goodwill and other intangible assets incurred in the FY 2016. Despite of the Group's persistent loss-making performance, the Company still has healthy financial positions in terms of its liquidity and gearing positions in the recent years, mainly because of its repeated and continuous fund raising exercises conducted in every FY so as to enhance its cash inflows from financing activities, capital base and net asset value so far.

Review of operating performance

Set out below is a summary of the consolidated financial information of the Group for the two FYs 2015 and 2016 and the six months ended 30 June 2017 as extracted from the annual report of the Company for the FY 2016 (the "Annual Report") and the interim report of the Company for the six months ended 30 June 2017 (the "Interim Report"):

	For the FY ended 31 December		For the six months ended 30 June
	2015	2016	2017
	(Audited)	(Audited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	502,980	155,207	27,502
Cost of services	<u>(429,669)</u>	<u>(109,068)</u>	<u>(61,544)</u>
Gross profit/(loss)	73,311	46,139	(34,042)
Distribution costs	—	(3,839)	(210)
Administrative expenses	(132,209)	(78,124)	(27,273)
Research and development expenses	(13,577)	(36,121)	(205)
Realised gain on contingent consideration receivable	—	45,841	229,384
Gain on disposal of subsidiaries	—	—	165,479
Fair value gain on investment properties	—	—	33,388
Fair value loss on derivative financial assets	—	—	(2,912)
Fair value gain on financial assets at fair value through profit or loss	—	—	30,698
Fair value (loss)/gain on contingent consideration payable	(51,750)	2,557	212,521
Fair value gain on put option	—	118	
Impairment losses on goodwill	—	(560,709)	(75,263)
Impairment losses on other intangible assets	—	(108,659)	(13,984)
Impairment loss on other receivables	—	—	(284,458)
Other income, gains/(losses)	<u>92,722</u>	<u>(15,925)</u>	<u>25,962</u>

LETTER FROM INDEPENDENT FINANCIAL ADVISER

	For the FY ended 31 December		For the six months ended 30 June
	2015	2016	2017
	(Audited)	(Audited)	(Unaudited)
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
(Loss)/profit from operations	(31,503)	(708,722)	259,085
Finance costs	<u>(19,590)</u>	<u>(60,931)</u>	<u>(29,235)</u>
(Loss)/profit before tax	(51,093)	(769,653)	229,850
Income tax (expense)	<u>(15,228)</u>	<u>(2,950)</u>	<u>(12,658)</u>
(Loss)/profit for the year/period from continuing operations	(66,321)	(772,603)	217,192
Loss for the year/period from discontinued operation	<u>—</u>	<u>(147,568)</u>	<u>(9,836)</u>
(Loss)/profit for the year/period	(66,321)	(920,171)	207,356
Non-controlling interests	<u>10,080</u>	<u>(58,589)</u>	<u>(906)</u>
(Loss)/profit for the year/period attributable to the owners of the Company	<u><u>(76,401)</u></u>	<u><u>(861,582)</u></u>	<u><u>208,262</u></u>

For the FY 2016 versus FY 2015

According to the 2016 Annual Report, the Group's revenue for the FY 2016 amounted to approximately HK\$155.2 million, decreased by approximately HK\$347.8 million or 69% when compared to that of approximately HK\$503.0 million for the FY 2015. The decrease was mainly attributable to the operation of software development in Japan market was downsizing since late 2015, which accounted for about 78% of total revenue for the FY 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 the FY 2015 to approximately 29.7% for the FY 2016. However, the Group recorded a gross profit of approximately HK\$46.1 million for the FY 2016, representing a decrease of about 37% when compared to that of approximately HK\$73.3 million for the FY 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 contributed a gross loss of approximately HK\$22.8 million for the FY 2016.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The Group's administrative expenses for the FY 2016 decreased to approximately HK\$78.1 million, representing a decrease of approximately 41% when compared to that of approximately HK\$132.2 million for the FY 2015. Such decrease was mainly attributable to the decrease in share-based payments to consultants by approximately HK\$28.5 million. The Group's operating loss of approximately HK\$708.7 million was recorded for the FY 2016 when compared to that of approximately HK\$31.5 million for the FY 2015.

Due to the increase in the Group's research and development expenses by approximately HK\$22.5 million, and the recognition of impairment on goodwill and other intangible assets amounting to approximately HK\$560.7 million and HK\$108.7 million respectively, which were partly offset by the fair value gain on contingent consideration receivable of approximately HK\$45.8 million, the Group recorded net loss of approximately HK\$920.2 million (including loss from discontinued operation of approximately HK\$147.6 million) for the FY 2016, when compared to that of approximately HK\$66.3 million for the FY 2015.

For the six months ended 30 June 2017 versus 30 June 2016

During the six months ended 30 June 2017, the Group's revenue amounted to approximately HK\$27.5 million, representing a significant decrease of approximately 58% from that of approximately HK\$65.8 million for the corresponding period in the FY 2016. The significant drop in revenue was mainly attributable to the disposal of a major operating subsidiary engaging in provision of online game services due to its performance falling below expectation during the period.

The Group had incurred gross loss of approximately HK\$34.0 million for the six months ended 30 June 2017 when compared to a gross profit of approximately HK\$21.4 million for the corresponding period in the FY 2016, mainly due to the decrease in revenue in mobile gaming industry for the six months ended 30 June 2017. The Group's distribution costs, administrative expenses and research and development expenses also decreased significantly, representing a drastic decrease of approximately 98%, 29% and 98% respectively when compared to the same for the corresponding period in the FY 2016, mainly due to its effective cost control measures.

During the six months ended 30 June 2017, the Group newly exploited the financial investment business as its ordinary and usual course of business. The Group's investments in the listed shares were recorded as financial assets at fair value through profit or loss on the consolidated balance sheet, and a fair value gain of approximately HK\$30.7 million as at 30 June 2017 on which was recognized during the six months ended 30 June 2017. The Group recorded substantial impairment for goodwill and other intangible assets of operation of software development in the PRC amounted to approximately HK\$75.3 million and HK\$14.0 million, respectively, based on valuation of fair value changes in relevant businesses.

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Besides, the Group recognised a fair value gain of approximately HK\$212.5 million resulted from the adjustment on contingent consideration payable in relation to an acquisition activity with reference to its projected financial performance for the year ending 31 December 2018.

The Group's certain discontinued entities of its software development and P2P Internet financing business with net liabilities were disposed of by the Group during the six months ended 30 June 2017, which resulted in a one-off gain on disposal of subsidiaries amounting to approximately HK\$165.5 million to be recognised in condensed consolidated statement of profit or loss.

Taking the favourable effects arising from certain unusual non-operating items, such as realised gain on contingent consideration receivable, gain on disposal of subsidiaries and fair value gain on contingent consideration payable etc., the Group recorded net profit of approximately HK\$207.4 million for the six months ended 30 June 2017 when compared to a net loss of approximately HK\$222.2 million for the corresponding period in the FY 2016.

Review of financial position

Set out below is the summary of the consolidated financial position of the Group as at 31 December 2015 and 2016 and 30 June 2017 as extracted from the Annual Report and the Interim Report, respectively:

	As at 31 December		As at 30
	2015	2016	June
	(Audited)	(Audited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	982,989	1,478,665	1,579,714
Current assets	620,268	919,647	633,540
Total assets	1,603,257	2,398,312	2,213,254
Non-current liabilities	(16,044)	(448,966)	(254,323)
Current liabilities	(573,663)	(512,334)	(332,921)
Total liabilities	(589,707)	(961,300)	(587,244)
Net assets	1,013,550	1,437,012	1,626,010
Equity attributable to the owners of the Company	943,598	1,405,707	1,626,010
Bank and cash balances	419,212	473,499	243,212
Net current assets	46,605	407,313	300,619
Current ratio	1.1 times	1.8 times	1.9 times
Gearing ratio	29.7%	23.4%	13.8%

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As at 31 December 2016 versus 31 December 2015

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 FY 2016, with issue of new shares amounting to approximately HK\$1,395.7 million. As at 31 December 2016, the Group maintained a high level of cash and bank balances of approximately HK\$473.5 million (2015: HK\$419.2 million), representing an increase of approximately HK\$54.3 million, which mainly generated from the placement and subscription of new shares as well as increase in the amount of borrowings during the FY 2016.

As at 31 December 2016, the Group's total interest-bearing borrowings amounted to approximately HK\$127.9 million (2015: HK\$21.5 million), representing an increase of approximately HK\$106.4 million when compared to that as at 31 December 2015. The Group's gearing ratio (which is calculated by dividing total interest-bearing borrowings, including borrowings and convertible bonds, by net asset value of the Group) was approximately 23.4% (2015: 29.7%).

As at 30 June 2017 versus 31 December 2016

As at 30 June 2017, the Group had bank and cash balances of approximately HK\$243.2 million (31 December 2016: HK\$473.5 million). As at 30 June 2017, the Group had net current assets of approximately HK\$300.6 million when compared to that of approximately HK\$407.3 million as at 31 December 2016.

The Group's total interest-bearing borrowings amounted to approximately HK\$224.1 million, representing a gearing ratio of approximately 13.8% thereof.

Prospects and outlook

According to the Interim Report, the Group has basically achieved a strategic layout for business growth featuring "Sports and Health, Culture and Tourism, Property Investment and Development" following completion of its divestment and an acquisition of a new business scope in Shenzhen, Guangdong Province, the PRC during the six months ended 30 June 2017. The Group believes that the new business scope will formulate a healthy development model primarily focusing on physical businesses after exiting the "speculative" mobile internet entertainment industry and avoiding the investment risks of "high input, low return" in the software development and IT industry. As such, the Group has switched into a fast lane of diversified development with sustainable cash flows.

In the second half of the FY 2017, the Group will concentrate on the three key aspects of "Sports and Health, Culture and Tourism and Property Investment and Development" and optimize the internal resources continuously while expanding the

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external operations steadily to create a long-term, sustainable, stable and forward-looking inner-connection among the above three aspects to achieve a virtuous cycle and an effective closure of the entire industry chain. Building on the Group's stadium management, sports training, sports event management and sports tourism experience, the Group will further expand into property development and securities investment, which will become the main businesses of the Group, to effectively complete the whole industry chain strategic layout.

Conclusion

In view of the facts that (i) the Group's scale of operation in terms of revenue and gross profit/loss had been limited and declining from its relatively higher level since the FY 2012; (ii) the Group had incurred persistent net losses for the past five FYs from 2012 to 2016, whilst the net profit recorded for the six months ended 30 June 2017 was mainly contributed from its unusual non-operating items; (iii) the Group had been incapable of generating positive cash inflow from its operating activities for the past two FYs 2015 and 2016 and the six months ended 30 June 2017; and (iv) the Group's liquidity and gearing positions had been improving as at 31 December 2015 and 2016 and 30 June 2017 mainly due to the repeated and continuous fund raising activities by issuing new shares/corporate bonds and obtaining borrowings to finance its business operations, we consider that the Group's profitability had been deteriorating while its liquidity and financial stability were still at rather acceptable levels, but its prospects and outlook would remain uncertain and challenging in the absence of a turnaround going forward. On such basis, we consider that it is justifiable for the Group to make a strategic move into new business scope for formulating a healthy development model primarily focusing on physical businesses.

3. Reasons for and benefits of the Placing and the Subscription and the use of proceeds

As mentioned in the "Letter from the Board" of the Circular, the Group has acquired the entire issued share capital of 深圳博瑞企業管理有限公司 (Shenzhen Borui Enterprise Management Company Limited*) (the "**Acquisition**") for a cash consideration of RMB950 million, of which, RMB356 million had already been settled. According to the payment schedule under the Acquisition, the outstanding balance of the consideration for the Acquisition of approximately RMB594 million (approximately HK\$713 million) is to be paid on or before 30 March 2018.

In addition, the Group has to repay the outstanding loan from China Goldjoy Credit Limited (the "**Loan**") and the 12% annual coupon unlisted corporate bonds (the "**Corporate Bonds**") in amounts of HK\$75 million and HK\$130 million, respectively, in June 2018.

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In order to cope with the financing needs of the Group as mentioned above, the net proceeds from the Placing of approximately HK\$813 million and the Subscription of approximately HK\$203 million after deducting the related expenses are estimated to be approximately HK\$1,016 million, which will be allocated as follows:

- (i) approximately HK\$713 million (from the proceeds of the Placing) for the settlement of the outstanding consideration for the Acquisition on or before 30 March 2018;
- (ii) approximately HK\$146 million (HK\$100 million from the proceeds of the Placing and HK\$46 million from the proceeds of the Subscription) for the repayment of the Corporate Bonds together with the accrued interests which will be due on 14 June 2018;
- (iii) approximately HK\$76 million (from the proceeds of the Subscription) for the repayment of the principal of the Loan together with the last installment of interests which will be due on 13 June 2018;
- (iv) approximately HK\$38 million for the general working capital (comprising salary, marketing expenses, administration expenses, etc.) for the development of sports stadium operations and the related training business;
- (v) approximately HK\$18 million for the general working capital (comprising salary, marketing expenses, administration expenses, etc.) for the property development business in Chaoshan and Changchun; and
- (vi) approximately HK\$25 million for the general working capital in Hong Kong (comprising salary, rental, professional expenses, administration expenses, etc.).

The Directors consider that it is in the interests of the Company to raise capital from the equity market in order to maintain the cash flow position of the Group and to enhance the capital and shareholders' base of the Company for long-term development and further strengthen its financial position. The Directors consider the terms of the Placing Agreement and the Subscription Agreement to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Although the long stop date of the Placing and the Subscription will be 30 June 2018, given the competence and efficiency of the Placing Agent in carrying out the Placing with its best endeavors and it is expected that the Subscriber will be able to complete the Subscription within the agreed time frame as learnt from the last experience of shares subscription in December 2017 with the same subscriber, the Company has confidence that both the Placing and the Subscription could be completed in a promptly manner as soon as the corresponding

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conditions precedent have been fulfilled and before the long stop date on 30 June 2018. As such, upon completion of the Placing and the Subscription, the Company will have sufficient funds for the settlement of the financial needs of the Group as mentioned above.

Based on our independent review of the Group's financial and cash flow positions and the relevant agreements for the Acquisition, issuance of the Corporate Bonds and the Loan and their payment or repayment schedules, we consider that it is necessary for the Company to implement appropriate fund raising exercise(s) to fulfill its imminent funding needs in the coming few months and therefore concur with the Directors' intention for use of proceeds from the Placing and the Subscription in accordance with the prescribed timeline.

With regard to other ways of equity financing, the Directors advised that although both open offer and rights issue would allow Shareholders to maintain their respective pro-rata shareholding in the Company and at the same time strengthening the capital base of the Company, such fund raising exercises would be relatively more time-consuming, administratively burdensome and cost-ineffective as compared with any placing and/or subscription of new Shares, in particular view of its huge fund raising size. Given the Group's imminent need of a sizeable funding, the Directors are of the opinion that the Placing and the Subscription as relatively more timely sources of funding to the Group is more preferable method of fund raising for the Group. We concur with the Directors' view in this regard.

In addition to the general expectation that the US Federal Reserve will continue to raise interest rates in the coming years, which in turn will correspondingly affect the interest rates offered by financial institutions, the Board has considered that debt financing may be usually subject to lengthy due diligence and negotiations with banks or financial institutions taking into account the Group's financial position as discussed above and the then financial market condition. As the Group has recorded consecutive losses in the FYs 2015 and 2016 where the profit for the first half of 2017 has been attributable to unusual non-operating items only, it may not be practicable for the Company to obtain debt financing in a cost-effective manner and additional finance charges may be incurred. The Group has approached several commercial banks in the PRC for exploring the feasibility of acquisition loans with respect to the Acquisition but the related progress has just been very little. Based on our independent review of the Annual Report and the Interim Report, we noted that the Group's cost of borrowings ranging from approximately 5.44% to 12.0% per annum while the financial market has generally been expecting further increasing in interest rates locally and globally, but the Group itself had been incapable of generating positive cash inflow from its operating activities for the past two FYs 2015 and 2016 and the six months ended 30 June 2017. Based on such understanding, we concur with the Directors' consideration of debt financing in such huge fund raising size to be relatively difficult, inappropriate, unfavourable and uncertain when compared to equity financing by way of the Placing and the Subscription, in particular regard of the prevailing relatively fiercer stock market sentiment in contrast with the Group's limited and declining scale of operation in terms of revenue and gross profit as well as persistent loss-making performance over the past few full FYs.

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Having (i) considered the above reasons behind for the Placing and the Subscription to raise additional equity funding to finance the Acquisition, repay the Corporate Bonds and the Loan upon their maturity, and enhance its working capital position; (ii) considered the Placing and the Subscription could facilitate the business and development strategies of the Group and save interest costs on its borrowings, and are in sizeable amount after taking into the Group's present liquidity and cash flow positions, the funding needs and timelines, any other appropriate alternatives and the dilution effect to the existing Shareholder, which may not be easily provided by financial institutions; and (iii) noted that the Subscription Price offered to the Subscriber who is a connected person of the Company is exactly the same as the Placing Price offered to not less than six places who are independent third parties with reference to the prevailing market price of the Shares, we are of the view that the Placing and the Subscription are not conducted in the ordinary and usual course of business of the Group, as it shall be regarded as corporate financing activities instead of its usual operating activities; but the terms of the Placing Agreement and the Subscription Agreement are on normal commercial terms as the either party thereto is treated fairly and equitably irrespective of whether they are independent third parties or connected person, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

4. Background of the Subscriber and the reasons for the Subscription

The Subscriber is a limited company incorporated in the British Virgin Islands and is wholly owned by Mr. Wu Teng (吳騰) (“**Mr. Wu**”). As at the Latest Practicable Date, the Subscriber is an investment holding company and is a substantial Shareholder which holds 340,521,351 Shares, representing approximately 16.67% of the issued share capital of the Company.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Mr. Wu is currently the shareholder and general manager of 廣東長江電纜有限公司 (Guangdong Changjiang Electric Cable And Wire Co., Ltd.*), a company incorporated in the PRC in 1995, which is principally engaged in wire and cable's trading business and has established business relations with other well-known enterprises in the field of electric power, construction, communications and manufacturing. In 2017, Mr. Wu established the Subscriber for the purpose of equity investment in Hong Kong.

Mr. Wu has been a business friend with Mr. Zhang Xiaodong (“**Mr. Zhang**”), the Chairman of the Company. To the best knowledge, information and belief of the Directors having made all reasonable enquires, Mr. Wu and his associates have no business relationship with either the Company or Mr. Zhang and Mr. Wu is currently exploring investment opportunities in the fields of property development and sports related business. In view of the recent business plans and development strategies of the Company, among other things, the Acquisition which are tied to his investment plans, Mr. Wu invested in the Company by way of subscription of new Shares under general mandate (the “**First Subscription**”) which was completed on 21 December 2017.

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Subsequent to the First Subscription, Mr. Wu understands that the Company still has financial needs for the settlement of the outstanding consideration of Acquisition. In addition, in view of the prospect of the Company, Mr. Wu, through his interest in the Subscriber, entered into the Subscription Agreement.

Given the Subscriber has been a substantial Shareholder since December 2017 who is currently anticipated to be the single largest Shareholder immediately following completion of the Placing and the Subscription; while the Subscription itself is conditional upon completion of the Placing, and in substance, is to allow the Subscriber to top-up and maintain its existing shareholding as a substantial Shareholder, but the Placing is not conditional upon completion of the Subscription (i.e. the Subscription would never be conducted alone without completion of the Placing). Should the Subscription not be implemented following completion of the Placing, the Subscriber's shareholding in the Company would fall to approximately 9.26% of the enlarged issued share capital of the Company and the Subscriber would lose its substantial Shareholder position at that time. In view of such scenario, the present conditionality arrangement between the Placing and the Subscription shall be commercially justifiable for procuring the Subscriber to subscribe for certain number of new Shares at the fair, equitable and comparable terms to other independent placees so as to increase its devotion to the Company and bring in additional proceeds from the Subscription of approximately HK\$203 million without offering any privileged treatments, benefits and/or advantages to the Subscriber, which we consider to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. Principal terms and conditions of the Placing Agreement and the Subscription Agreement

The following is the principal terms of each of the Placing Agreement and the Subscription Agreement:

	The Placing Agreement	The Subscription Agreement
Date	: 10 January 2018	10 January 2018
Issuer	: The Company	The Company

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Placees/subscriber	:	The ultimate placees are expected to be third parties independent of the Company and its connected persons	The Subscriber is a limited company incorporated in the British Virgin Islands and is wholly owned by Mr. Wu. As at the Latest Practicable Date, the Subscriber is a substantial Shareholder which holds 340,521,351 Shares, representing approximately 16.67% of the issued share capital of the Company.
Number of Shares to be placed/subscribed for	:	1,634,502,485 new Shares	408,625,621 new Shares
Placing/subscription price	:	HK\$0.50 per Placing Share	HK\$0.50 per Subscription Share
Effect of the existing issued share capital of the Company	:	80.00%	20.00%
Effect of the existing enlarged share capital of the Company following completion of the Placing and the Subscription	:	44.44%	10.00%
Completion	:	On the fifth Business Day after all the conditions set out in the paragraph headed "Conditions precedent to the Placing" above are satisfied or waived, if capable of being waived, (or such later date as may be agreed between the parties to the Placing Agreement in writing)	Within 15 Business Days following the fulfillment of the conditions precedent of the Placing or such other date as the parties to the Subscription Agreement may agree in writing

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Conditions precedent to the Subscription

Completion of the Subscription is conditional upon fulfillment of the following conditions:

- (a) the Listing Committee granting the listing of, and permission to deal in, the Subscription Shares;
- (b) the passing by the Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules in the EGM to be held and convened of resolution(s) to approve the Increase in Authorized Share Capital;
- (c) the Subscription will not cause any person to be obliged to make a mandatory offer pursuant to the Rule 26 of the Takeovers Code;
- (d) the passing of the resolution by the Independent Shareholders at the EGM approving the grant of specific mandate relating to the allotment and issue of the Subscription Shares in accordance with the Listing Rules; and
- (e) all conditions precedent of the Placing Agreement having been fulfilled (other than the fulfilment of any condition in the Placing Agreement requiring the fulfilment of the conditions precedent of the Subscription Agreement) and not being terminated in accordance with its terms and conditions.

All conditions as set out in clauses (a) to (e) above are incapable of being waived. As at the Latest Practicable Date, all conditions as set out in clauses (a) to (e) above have not been fulfilled.

If any of the foregoing condition is not fulfilled on or prior to 5:00 p.m. on 30 June 2018 or such later time and date as the Company and the Subscriber may from time to time agree in writing, the Subscription Agreement shall terminate and none of the parties shall have any claim against the other for any costs or losses (save for any prior breach of the Subscription Agreement).

The conditions precedent to the Placing are substantially the same as the above conditions precedent to the Subscription. For further details of the conditions precedent and termination clauses of the Placing, please refer to the “Letter from the Board” of the Circular. We consider that the conditions precedent to the Placing and the Subscription are not unusual in all material respects.

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The Placing Price and the Subscription Price

To assess the fairness and reasonableness of the Placing Price and/or the Subscription Price at HK\$0.50 per Placing Share and/or the Subscription Share, we set out the following analyses for illustrative purpose:

	Price/value per Share approximately HK\$	Discount to at approximately %
(i) The closing price as quoted on the Stock Exchange on the Last Trading Day	0.640	21.88
(ii) The average closing price of the Shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day	0.686	27.11
(iii) The average closing price of the Shares as quoted on the Stock Exchange for the last ten consecutive trading days immediately up to and including the Last Trading Day	0.733	31.79
(iv) The Group's unaudited consolidated net asset value per Share attributable to the Shareholders as at 30 June 2017 based on 2,043,128,106 issued Shares as at the Latest Practicable Date, plus the net proceeds of approximately HK\$187.1 million received from the previous subscription of 340,521,351 new Shares completed on 21 December 2017	0.887	43.63
(v) The closing price of the Shares as quoted on the Stock Exchange as at the Latest Practicable Date	0.720	30.56

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The Placing Price and Subscription Price were determined and negotiated on an arm's length basis between the Company and the Placing Agent and between the Company and Subscriber with reference to the recent market prices of the Shares and current market conditions. The Directors consider that the Placing Price and the Subscription Price are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, after considering, inter alia,

- (i) the additional finance costs associated with bank financing;
- (ii) there was a downward trend of the Company's recent Share in the past one month before the date of the Placing Agreement and the average daily trading volume of approximately 1,537,170 Shares as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including 10 January 2018, which accounted for approximately 0.0752% of the total number of Shares in issue as at 10 January 2018 and was relatively low as compared with the maximum number of the Placing Shares;
- (iii) the unsatisfactory financial performance of the Group with continuing loss making in the past five years ended 31 December 2016;
- (iv) the Company has an imminent need for fund; and
- (v) the Placing Price and the Subscription Price only represent a moderate discount to the closing price of the Shares as at 10 January 2018, and the average closing price thereof for the five consecutive trading days immediately prior to and including 10 January 2018.

Historical price performance of the Shares

Solely for illustration purposes, we consider that it is relevant to compare the closing price level of the Shares traded on the Stock Exchange during the 12-month period from 1 January 2017 and up to and including the Last Trading Day (the "**Review Period**") against the Placing Price and/or the Subscription Price. We consider that the Review Period represents a reasonable timeframe that covers the recent trend of the Share price reflecting the Company's fundamental financial performance and the business cycle in the corresponding period to illustrate the recent price movement of the Shares for conducting

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a reasonable comparison among the historical closing prices of the Shares and the Placing Price and/or the Subscription Price. The historical performance of the Share price for the Review Period is as follow:

	Highest closing price HK\$	Lowest closing price HK\$	Average daily closing price HK\$	Number of trading days in each month
2017				
January	2.040	1.640	1.832	19
February	1.880	1.700	1.772	20
March	1.780	1.380	1.554	23
April	1.400	1.280	1.353	17
May	1.340	0.880	0.978	20
June	1.060	0.820	0.957	22
July	0.840	0.660	0.712	21
August	0.780	0.640	0.708	22
September	0.740	0.580	0.623	21
October	0.860	0.620	0.726	20
November	1.060	0.660	0.857	22
December	0.810	0.660	0.705	19
2018				
January (up to and including the Last Trading Day)	0.810	0.640	0.716	7

Source: the website of the Stock Exchange (www.hkex.com.hk)

During the Review Period, the closing price of the Shares had been fluctuating considerably between the highest of HK\$2.040 per Share, which was recorded on 11 January 2017, to the lowest of HK\$0.580 recorded on 4 September 2017; whilst the average closing price per Share was approximately HK\$1.050 during the Review Period. Starting from the inception of the Review Period, the average daily closing price of the Shares had been gradually decreasing from HK\$1.832 per Share in January 2017 to HK\$0.623 per Share in September 2017, and then rebound to HK\$0.857 per Share in November 2017 but dropped to HK\$0.716 per Share again in January 2018. The closing price of the Shares was HK\$0.640 per Share as at the Last Trading Day.

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On 28 June 2017, the Company announced that the Company would conduct a major transaction in respect of the Acquisition at a consideration of RMB950.0 million, the target companies of which principally focus on property development in the Chaoshan region, where has been well within Guangdong Province – Hong Kong – Macao Bay Area. On 4 December 2017, the Company announced that the Subscriber agreed to subscribe for 340,521,351 Shares at the then subscription price of HK\$0.55 per subscription share, which was completed on 21 December 2017 with net proceeds received by the Company of approximately HK\$187.1 million.

Save for the above two announcements dated 28 June 2017 and 4 December 2017 and their ancillary subsequent announcements in the similar nature, we are not aware of any other public announcements (other than the Company's respective usual final and interim results announcements for the FY 2016 and the six months ended 30 June 2017) made by the Company that were price sensitive in nature and thus, we believe that the general decreasing trend in the Share price during the Review Period shall fairly be reflecting the persistent deterioration in the operating performance of the Group. Based on such scenario, we consider that the recent Share price level already mirrored the Group's latest and actual operating performance, financial position and business prospects and outlook shall be a reliable and meaningful benchmark for the purpose of making reference in determining, and analysing the fairness and reasonableness of, the Placing Price and/or the Subscription Price on the basis that the Directors did not aware of any unusual or obvious speculation activities in the market for the Shares during the Review Period.

Based on our independent review of the historical price performance and trading volume of the Shares during the Review Period, the Group's current higher cost of borrowings and persistent adverse operating performance for past five FYs, we are of the view that the Board's basis in determining the Placing Price and/or the Subscription Price is fair and reasonable.

Comparison of recent issues of subscription and/or placing shares by other listed issuers

To further assess the fairness and reasonableness of the Placing Price and/or the Subscription Price, we have conducted a comparable analysis through identifying companies listed on the Stock Exchange which announced subscription and/or placing of new shares by using specific mandate during the last six complete calendar months commencing from 1 July 2017 up to the Last Trading Day, as we consider that six complete calendar months are appropriate benchmarks to reflect the recent market sentiment and the risk appetite of the investment community and the adopted time span can cover sufficient number of comparable placements or subscriptions to reflect the prevailing market trend.

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Based on the above said criteria, we have, to the best of our effort by searching through published information on the Stock Exchange’s website, identified an exhaustive list of 38 comparable transactions which involve all subscription and/or placing of new shares using specific mandate (the “**Comparable Issues**”). It should be noted that the Comparable Issues may have different principal businesses, market capitalisation, profitability and financial positions as compared to those of the Company. However, as the Comparable Issues can provide a general understanding and usual market practice of the pricing for this similar type of transaction in Hong Kong under the current market environment, we consider all of them to be relevant in assessing the fairness and reasonableness of the Placing Price and/or the Subscription Price, irrespective of their respective market capitalisation and fund raising size on the grounds that the Comparable Issues have their own business nature and prospects, profitability, financial positions, market capitalisation, funding needs and fund raising size etc., all of such background factors may not be closely correlated with each others; whilst different size of market capitalisation of listed issuers would not directly affect the terms of placing and/or subscription activities in the market, and selecting samples by market capitalisation and/or fund raising size only may distort this comparable analysis or even mislead the Independent Shareholders because such short-listed information may not be able to present a complete, comprehensive and representative picture or analysis of all the equity fund raising exercises completed by all listed issuers on the Stock Exchange during the Review Period. For each of the 38 Comparable Issues identified, we compared the premium/ (discount) of its issue price/placing price/subscription price over/(to) (i) the respective closing price on the last trading day; and (ii) the average closing price for the last five consecutive trading days prior to the date of the corresponding announcement summarized in the following table:

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Date of announcement	Company name (Stock Code)	Subscription or Placing	Subscription/ placing price <i>HK\$</i>	Premium/ (discount) over/ to the closing price of the shares as at the last trading day prior to the date of the corresponding announcement	Premium/ (discount) over/ to the closing price of the shares for the last five consecutive trading days prior to the release of the corresponding announcement	Proportion of subscription/ placing shares to the respective issued shares capital as at the date of the corresponding announcement
				%	%	%
3/1/2018	Huiyin Smart Community Co., Ltd. (1280)	Subscription	0.50	(29.58)	(28.77)	23.32
3/1/2018	Hua Hong Semiconductor Limited (1347)	Subscription	12.90	(18.56)	(20.21)	23.36
29/12/2017	Chinese People Holdings Company Limited (681)	Subscription	0.104	0.00	0.00	26.41
21/12/2017	New Focus Auto Tech Holdings Limited (360)	Subscription	0.42	(38.24)	(36.75)	49.19
14/12/2017	TSC Group Holdings Limited (206)	Subscription	0.67	(30.21)	(21.18)	108.21
13/12/2017	IDG Energy Investment Group Limited (650)	Subscription	1.00	(27.01)	(29.68)	32.22
6/12/2017	Brockman Mining Limited (159)	Subscription	0.10	(18.70)	(16.10)	9.31
5/12/2017	Blockchain Group Company Limited (364)	Subscription	0.03	114.29	111.27	19.41
30/11/2017	Asia Energy Logistics Group Limited (351)	Placing	0.1083	(26.82)	(29.95)	60.88

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Date of announcement	Company name (Stock Code)	Subscription or Placing	Subscription/ placing price <i>HK\$</i>	Premium/ (discount) over/ to the closing	Premium/ (discount) over/ to the closing	Proportion of subscription/ placing shares to the respective issued shares capital as at the date of the corresponding announcement
				price of the shares for the last five consecutive trading days prior to the release of the corresponding announcement	price of the shares as at the last trading day prior to the date of the corresponding announcement	
				<i>%</i>	<i>%</i>	<i>%</i>
29/11/2017	AKM Industrial Company Limited (1639)	Subscription	1.50	(7.98)	(7.29)	24.62
24/11/2017	Mega Expo Holdings Limited (1360)	Placing	1.50	(17.13)	(18.03)	4.98
17/11/2017	Alibaba Health Information Technology Limited (241)	Subscription	4.00	(4.31)	(6.80)	4.72
9/11/2017	Trinity Limited (891)	Subscription	1.20	60.00	80.72	105.70
20/10/2017	U-Right International Holdings Limited (627)	Placing	0.22	(82.11)	(81.45)	206.35
13/10/2017	Rosan Resources Holdings Limited (578)	Subscription	0.20	34.23	32.10	28.06
11/10/2017	Eagle Legend Asia Limited (936)	Subscription	1.10	7.80	0.90	10.40
11/10/2017	Pak Tak International Limited (2668)	Placing and Subscription	0.224	(21.40)	(20.85)	42.32
11/10/2017	Richly Field China Development Limited (313)	Subscription	0.086	0.00	2.90	23.81
29/9/2017	Lenovo Group Limited (992)	Subscription	4.31	0.00	1.17	8.16

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Date of announcement	Company name (Stock Code)	Subscription or Placing	Subscription/ placing price <i>HK\$</i>	Premium/ (discount) over/ to the closing	Premium/ (discount) over/ to the closing	Proportion of subscription/ placing shares to the respective issued shares capital as at the date of the corresponding announcement
				price of the shares as at the last trading day prior to the date of the corresponding announcement	price of the last five consecutive trading days prior to the release of the corresponding announcement	
28/9/2017	AMAX International Holdings Limited (959)	Subscription	0.36	(6.49)	0.84	4.72
27/9/2017	ZH International Holdings Limited (185)	Subscription	0.223	9.13	7.73	68.19
14/9/2017	Starlight Culture Entertainment Group Limited (1159)	Subscription	4.50	(2.17)	(4.01)	3.22
12/9/2017	Truly International Holdings Limited (732)	Placing and Subscription	2.02	(12.90)	(13.50)	7.34
12/9/2017	Ourgame International Holdings Limited (6899)	Subscription	1.85	0.00	(0.43)	28.62
1/9/2017	Kwan On Holdings Limited (1559)	Subscription	1.30	(4.40)	(3.70)	14.60
30/8/2017	C&D International Investment Group Limited (1908)	Subscription	4.51	(12.30)	(11.88)	45.79
22/8/2017	China Unicom (Hong Kong) Limited (762)	Subscription	13.24	7.12	11.45	27.77
17/8/2017	Yida China Holdings Limited (3639)	Subscription	2.30	1.77	1.77	13.12

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Date of announcement	Company name (Stock Code)	Subscription or Placing	Subscription/ placing price <i>HK\$</i>	Premium/ (discount) over/ to the closing	Premium/ (discount) over/ to the closing	Proportion of subscription/ placing shares to the respective issued shares capital as at the date of the corresponding announcement
				price of the shares as at the last trading day prior to the date of the corresponding announcement	price of the last five consecutive trading days prior to the release of the corresponding announcement	
17/8/2017	Yunfeng Financial Group Limited (376)	Subscription	6.50	3.50	13.12	33.01
15/8/2017	China Hongqiao Group Limited (1378)	Placing	6.80	(3.55)	(4.33)	11.11
8/8/2017	Legend Strategy International Holdings Group Company Limited (1355)	Subscription	1.00	(20.00)	(19.48)	5.59
7/8/2017	Daqing Dairy Holdings Limited (1007)	Placing and Subscription	0.10	(96.95)	(97.25)	900.00
1/8/2017	China Resources and Transportation Group Limited (269)	Placing and Subscription	0.23	(19.30)	(9.59)	94.06
25/7/2017	Beijing Sports and Entertainment Industry Group Limited (1803)	Subscription	1.88	(21.00)	(20.33)	10.39
18/7/2017	Guangdong Join-Share Financing Guarantee Investment Co., Ltd. (1543)	Placing	1.42	3.65	3.65	17.50
14/7/2017	China Health Group Limited (673)	Subscription	0.20	23.46	17.65	10.20

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Date of announcement	Company name (Stock Code)	Subscription or Placing	Subscription/ placing price HK\$	Premium/ (discount) over/	Premium/ (discount) over/	Proportion of subscription/ placing shares to the respective issued shares capital as at the date of the announcement	
				to the closing price of the last five consecutive trading days prior to the date of the announcement	to the closing price of the last five consecutive trading days prior to the date of the announcement		
				%	%	%	
7/7/2017	Shenzhen Mingwah Aohan High Technology Corporation Limited (8301)	Placing and Subscription	0.60	(16.67)	(16.90)	20.00	
7/7/2017	O Luxe Holdings Limited (860)	Subscription	0.82	(19.61)	(12.77)	12.90	
	38 Comparable Issues			Maximum	114.29	111.27	900.00
				Average	(7.70)	(6.47)	56.30
				Median	(7.24)	(7.05)	23.34
				Minimum	(96.95)	(97.25)	3.22
	34 out of the 38 Comparable Issues (see note below)			Maximum	34.23	32.10	108.21
				Average	(8.46)	(7.63)	26.71
				Median	(7.24)	(7.05)	21.66
				Minimum	(38.24)	(36.75)	3.22
10/1/2018	New Sports Group Limited (299)	Placing and Subscription	0.50	(21.88)	(27.11)	100.00	

Note:

We have noted that there are four very extreme cases out of the 38 Comparable Issues, namely Blockchain Group Company Limited (Stock Code: 364), Trinity Limited (891), U-Right International Holdings Limited (Stock Code: 627) and Daqing Dairy Holdings Limited (Stock Code: 1007), with abnormally higher premium or deeper discount. For illustrative purposes only, the figures are calculated by excluding such four abnormal Comparable Issues.

Source: the Stock Exchange's website at www.hkex.com.hk

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As indicated in the above table setting out the issue statistics of the Comparable Issues, we noted the following scenario:

- (i) the considerable discount of approximately 21.88% represented by the Placing Price and/or the Subscription Price to the closing price on the Last Trading Day falls within the range of premiums/discounts represented by the 38 Comparable Issues on the relevant last trading days and below the average discount of approximately 7.70% thereof, which ranges very widely from a discount of approximately 96.95% to a premium of approximately 114.29%; and
- (ii) the considerable discount of approximately 27.11% represented by the Placing Price and/or the Subscription Price over the 5-day average closing price for the last five trading days up to and including the last trading day falls within the range of premiums/discounts represented by 5-day average closing prices of the 38 Comparable Issues on the relevant last five trading days and also below the average discount of approximately 6.47% of the Comparable Issues, which also ranges very widely from a discount of approximately 97.25% to a premium of approximately 111.27%.

Based on our findings from above analysis, we have noted that there are four very extreme cases out of the 38 Comparable Issues, namely Blockchain Group Company Limited (Stock Code: 364), Trinity Limited (891), U-Right International Holdings Limited (Stock Code: 627) and Daqing Dairy Holdings Limited (Stock Code: 1007), with abnormally higher premium or deeper discount. By excluding such four abnormal Comparable Issues from the above analysis, we can still maintain our view that the considerable discounts of approximately 21.88% and 27.11%, as the case maybe, represented by the Placing Price and/or the Subscription Price to the closing price on the Last Trading Day and the Placing Price and/or the Subscription Price to the average closing prices for the last five consecutive trading days up to and including the Last Trading Day respectively, fall within the range of premiums/discounts represented by the 34 Comparable Issues on the relevant last trading days, which ranges from a discount of approximately 38.24% to a premium of approximately 34.23%, with median and average discounts ranging from 7.24% to 8.46% which are also very close to the above table of analysis with 38 Comparable Issues.

Based on the above different scenarios, we are of the view that it shall be justifiable, fair and reasonable for the Placing and/or the Subscription to offer deeper discounts to the closing price of the Shares when compared to the average and median discounts of the Comparable Issues, in particular view of (i) the Group's limited and declining scale of operation in terms of revenue and gross profit as well as persistent loss-making

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performance over the past few full FYs; and (ii) the Group's incapability of generating positive cash inflow from its operating activities for the past two FYs 2015 and 2016 and the six months ended 30 June 2017, otherwise, the relatively larger fund raising size thereunder may not be easily accepted by the potential independent placees and the Subscriber.

Based on our independent review of the financial background of the Comparable Issues, we noted that there were certain cases of fund raising proportion accounted for over 60%, or even up to 900%, of their respective number of shares in issue, most of them are in imminent funding needs or severe financial difficulties. Even by excluding such four abnormal Comparable Issues from the above analysis, there are still four other Comparable Issues whose fund raising proportions accounted for approximately 60.88%, 68.19%, 94.06% and 108.20% of their respective number of shares in issue, while the latter two are more closely comparable to that of the Company with 100.00% thereof, because all of them were in imminent funding needs for larger fund raising size so as leading to a much greater proportion of new shares to be issued, and in turn a deeper dilution effect to existing shareholding. Given the facts that the Group is also in imminent funding needs to complete the Acquisition and repay interest-bearing borrowings, the sizeable fund raising resulting from the larger number of Placing Shares and the Subscription Shares to be issued and allotted and greater dilution effect in the existing shareholding of the Company shall be inevitable and acceptable, which in turn will greatly mitigate its financial and interest burdens in these respects, whilst the terms of the Placing and the Subscription as analysed above are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Having considered the above analysis and further taken into account (i) the Group's limited and declining scale of operation in terms of revenue and gross profit as well as persistent loss-making performance over the past few full FYs; and (ii) the Subscription Price offered to the Subscriber who is a connected person of the Company to be exactly the same as the Placing Price offered to not less than six placees who are independent third parties with reference to the prevailing market price of the Shares, we consider that the basis for determination of the Placing Price and/or the Subscription Price with comparatively deeper discount is commercially justifiable, and the terms of the Placing Agreement and the Subscription Agreement are on normal commercial terms as the either party thereto is treated fairly and equitably irrespective of whether they are independent third parties or connected person, fair and reasonable so far as the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole.

6. Potential dilution effect on the shareholding of the Company

As set out in the table showing the shareholding structure and changes of the Company in the “Letter from the Board” of the Circular, the shareholding of the existing public Shareholders as at the Latest Practicable Date was approximately 57.38%. The Subscription Shares to be subscribed by the Subscriber represent 20.00% of the existing issued share capital of the Company as at the Latest Practicable Date, and approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares only, without taking into account of the allotment and issue of the Placing Shares. On such basis, the shareholding of the existing public Shareholders will be diluted from approximately 57.38% to 47.82% upon the completion of the Subscription Agreement only, without taking into account of completion of the Placing. If considering the dilution impact of the Subscription only, the shareholding of the existing public Shareholders will be diluted to approximately 47.82% upon the completion of the Subscription only, we consider such dilution impact is inevitable and therefore acceptable.

Further taking into account the completion of the Placing and the Subscription, the shareholding of the existing public Shareholders will be diluted from approximately 57.38% to 28.70% immediately upon their completion. Having considered a huge amount of net proceeds of approximately HK\$1,016 million could be received for implementation of, among others, its business development plans and strategies principally focusing on property development in the Chaoshan region, Guangdong Province, the PRC under the Acquisition in contrast with its persistent adverse operating performance over the past few FYs, we consider such dilution impact to be inevitable and therefore acceptable and in the interests of the Group and the Shareholders as a whole.

7. Financial effects of the Placing and the Subscription on the Group

Earnings

Save for the expenses in relation to the Placing and the Subscription, there will not be any immediate material impact on the earnings of the Group in this regard. Hence, immediately upon completion of the Placing and the Subscription, there will be no immediate effect on the earnings of the Group.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Working capital

According to the Interim Report, the Group had bank and cash balances of approximately HK\$243.2 million as at 30 June 2017. Assuming upon completion of the Placing and the Subscription, the Group's cash and liquidity positions will be improved as the bank and cash balances will increase by the net proceeds of approximately HK\$1,016 million to be generated therefrom. Accordingly, the cash and liquidity positions, net current assets and current ratio of the Group are expected to be improved upon the completion of the Subscription.

Gearing position

Based on the Interim Report, the Group had unaudited consolidated net asset value and aggregate interest-bearing borrowings of approximately HK\$1,626.0 million and HK\$224.1 million, respectively, as at 30 June 2017, representing a gearing ratio (i.e. being calculated as the aggregate interest-bearing borrowings to be divided by the net asset value of the Group) of approximately 13.8% thereof. The Directors have expected that, following completion of the Placing and the Subscription, the Group's capital base and net asset value would be enhanced, while its gearing level would be improved after repayment of the Loan and Corporate Bonds.

Net asset value

According to the Interim Report and the announcements of the Company dated 4 and 21 December 2017, the Group had unaudited consolidated net asset value of approximately HK\$1,626.0 million as at 30 June 2017, the net proceeds of approximately HK\$187.1 million received from the previous subscription of 340,521,351 new Shares completed on 21 December 2017 and 2,043,128,106 Shares in issue as at the Latest Practicable Date, representing a net asset value per Share of approximately HK\$0.887. Upon completion of the Placing and the Subscription, the net asset value of the Group will be enhanced by the net proceeds of approximately HK\$1,016.0 million to be generated from the Placing and the Subscription; whilst the net asset value per Share shall decrease because the Placing Price and/or the Subscription Price of HK\$0.50 per Placing/Subscription Share is considerably lower than the net asset value per Share of HK\$0.887 as at the Latest Practicable Date.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into account the above principal factors and reasons, we are of the view that the Placing and the Subscription shall be regarded as corporate financing activities instead of usual operating activities of the Group, and therefore are not conducted in its ordinary and usual course of business; but the terms of the Placing Agreement as well as the Subscription Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders as well as the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the (i) Placing pursuant to the Placing Agreement; (ii) Subscription pursuant to the Subscription Agreement; and (iii) Specific Mandate for the allotment and issue of the Placing Shares and the Subscription Shares.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited
Nicholas Cheng
Director

Note:

Mr. Nicholas Cheng has been the Responsible Officer of Type 6 (advising on corporate finance) regulated activity under the SFO, and has over 16 years of experience in corporate finance industry. He has participated in the provision of independent financial advisory services for various connected transactions involving companies listed in Hong Kong.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters, the omission of which would make any statement herein or this circular misleading.

SHARE CAPITAL

The authorized and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) after the Increase in Authorised Share Capital and (iii) upon completion of the Placing and the Subscription are set out below:

Authorised share capital	Nominal Value
<i>As at the Latest Practicable Date:</i>	
<u>4,000,000,000</u> Shares	<u>HK\$200,000,000.00</u>
<i>After the Increase in Authorised Share Capital:</i>	
<u>8,000,000,000</u> Shares	<u>HK\$400,000,000.00</u>
Issued and fully paid capital	
2,043,128,106 Shares as at the Latest Practicable Date	HK\$102,156,405.30
1,634,502,485 Placing Shares	HK\$81,725,124.25
<u>408,625,621</u> Subscription Shares	<u>HK\$20,431,281.05</u>
<u>4,086,256,212</u> Shares	<u>HK\$204,312,810.60</u>

All existing issued Shares rank pari passu in all respects, including in particular as to dividend, voting rights and capital.

DISCLOSURE OF INTERESTS

(a) Interest of Directors and Chief Executive in the Company

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company (the “**Model Code**”) were as follows:

Long positions in the Shares and underlying Shares

Name of Director	Capacity in which interests are held	Interests in Shares	Total interests as to % of the issued share capital of the Company as at the Latest Practicable Date
Zhang Xiaodong	Corporate interest	137,500,000	6.76%
<i>(Note)</i>	Beneficial owner	675,000	

Note: Amuse Peace Limited (“**Amuse Peace**”) holds 137,500,000 Shares. Amuse Peace is a company wholly and beneficially owned by Mr. Zhang Xiaodong, the Chairman, Chief Executive Officer and an executive Director of the Company. Mr. Zhang Xiaodong is deemed to be interested in the 137,500,000 Shares owned by Amuse Peace for the purpose of SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders

So far as is known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, companies and persons who had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the Shares and underlying Shares

Name of Shareholder	Capacity in which interests are held	Number of Ordinary Shares	Approximate percentage of issued capital of the Company⁶	Notes
China Goldjoy Securities Limited	Custodian	1,023,211,691 (L)	51.17%	2
	Beneficial Owner	22,409,048 (L)		
Cheung Chun Shun	Corporate Interest	120,967,741 (L)	5.92%	3
Yue Jin International Limited	Beneficial Owner	120,967,741 (L)	5.92%	3
Zheng Kanghao	Corporate Interest	392,000,000 (L)	19.19%	4
Origin Development Limited	Beneficial Owner	392,000,000 (L)	19.19%	4
Wu Teng	Corporate Interest	340,521,351 (L)	16.67%	5
Tengyue Limited	Beneficial Owner	340,521,351 (L)	16.67%	5

Notes:

1. Pursuant to Section 336 of the SFO, the Shareholder(s) are required to file disclosure of interests forms (the “**DI Form(s)**”) 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. China Goldjoy Securities Limited is deemed to be interested in 1,023,211,691 Shares as the custodian of its clients and is beneficially interested in 22,409,048 Shares per the DI form filed on 22 January 2018.
3. 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 by virtue of SFO.
4. Origin Development Limited is a company wholly owned by Mr. Zheng Kanghao. Accordingly, Mr. Zheng Kanghao is deemed to be interested in the Shares by virtue of SFO.
5. Tengyue Limited is a company wholly owned by Mr. Wu Teng. Accordingly, Mr. Wu Teng is deemed to be interested in the Shares by virtue of SFO.
6. As at the Latest Practicable Date, the total issued share capital of the Company amounted to 2,043,128,106 Shares.

Abbreviations:

“L” stands for long position

Save as disclosed above, so far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or proposed Director was a director or employee of a company which had an interest in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' SERVICE CONTRACTS

Mr. Zhang Xiaodong, an executive Director, entered into a service agreement with the Company for a term of three (3) years commencing on 1 April 2016. Mr. Zhang is entitled to receive an annual remuneration of HK\$1,300,000 which is periodically reviewed by the salary review committee of the Company and determined by the Board with reference to the prevailing market rate and his duties and responsibilities in the Company. He is not entitled to receive any variable remuneration from the Group.

Ms. Xia Lingjie, an executive Director, entered into a service agreement with the Company for a term of three (3) years commencing on 17 August 2016. Ms. Xia is entitled to receive an annual remuneration of HK\$650,000 which is periodically reviewed by the salary review committee of the Company and determined by the Board with reference to the prevailing market rate and her duties and responsibilities in the Company. Besides, Ms. Xia is also entitled to receive a monthly salary of RMB18,600 and discretionary bonus from a PRC subsidiary of the Company.

Mr. Lau Wan Po, a non-executive Director, entered into a service agreement with the Company for a term of three (3) years commencing on 18 November 2016. Mr. Lau is entitled to receive an annual remuneration of HK\$325,000 which is periodically reviewed by the salary review committee of the Company and determined by the Board with reference to the prevailing market rate and his duties and responsibilities in the Company. He is not entitled to receive any variable remuneration from the Group.

Mr. Chen Zetong, an independent non-executive Director, entered into an appointment letter with the Company for a term of three (3) years commencing on 30 May 2016 unless and until terminated by either party by serving not less than one (1) month's written notice. Mr. Chen's appointment is subject to retirement by rotation at least once every three years and reelection at the annual general meeting of the Company in accordance with the articles of association of the Company. Mr. Chen currently receives a remuneration of HK\$260,000 per annum and such other fringe benefits as the Board shall in its discretion deem appropriate.

Ms. He Suying, an independent non-executive Director, entered into an appointment letter with the Company for a term of three (3) years commencing on 30 May 2016 unless and until terminated by either party by serving not less than one (1) month's written notice. Ms. He's appointment is subject to retirement by rotation at least once every three years and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company. Ms. He currently receives a remuneration of HK\$260,000 per annum and such other fringe benefits as the Board shall in its discretion deem appropriate.

Dr. Tang Lai Wah, the independent non-executive Director, entered into an appointment letter with the Company for a term of three (3) years commencing on 30 May 2016 unless and until terminated by either party by serving not less than one (1) month's written notice. Dr. Tang's appointment is subject to retirement by rotation at least once every three years and reelection at the annual general meeting of the Company in accordance with the articles of association of the Company. Dr. Tang currently receives a remuneration of HK\$260,000 per annum and such other fringe benefit as the Board shall in its discretion deem appropriate.

As at the Latest Practicable Date, save as the service contracts disclosed above, none of the Directors had entered into any service agreement with any member of the Group nor were there any other service agreements proposed which would not expire or be determinable by the member of the Group within one year without payment of compensation (other than statutory compensation). None of service contracts of the directors of the Company so listed out shall expire within a year without compensation.

DIRECTORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS

Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased, or which were proposed to be acquired or disposed of by, or leased to any member of the Group since 31 December 2016 (the date to which the latest published audited consolidated financial statements of the Company was made up).

Interests in contracts

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group.

Interests in Subscription

As at the Latest Practicable Date, none of the Directors had any material interest in the Subscription.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

MATERIAL ADVERSE CHANGE

Save as disclosed in the annual report of the Company for the year ended 31 December 2016 and the interim report of the Group for the six months ended 30 June 2017, the Directors confirmed that as at the Latest Practicable Date, there was no material adverse change in the financial or trading position or prospects of the Group since 31 December 2016.

EXPERT AND CONSENT

The qualifications of the expert who has given opinions and advice in this circular is as follows:

Name	Qualifications
First Shanghai Capital Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited financial statements of the Group were made up (i.e. 31 December 2016), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

The Independent Financial Adviser has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they are included.

MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Fong Ching Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of each of the Association of Chartered Certified Accountants, the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators, and the Taxation Institute of Hong Kong.
- (b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and the principal place of business in Hong Kong is at Unit 2602, 26/F, Lippo Centre, Tower 1, No. 89 Queensway, Admiralty, Hong Kong.
- (c) The Hong Kong branch share registrar of the Company is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The English texts of this circular shall prevail over the Chinese texts.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at (i) Unit 2602, 26/F., Lippo Centre, Tower 1, No. 89 Queensway, Admiralty, Hong Kong from 9:30 a.m. to 12:30 p.m. and from 1:30 p.m. to 5:30 p.m. and (ii) on the website of the Company at www.newsportsgp.com, from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the letter from the Independent Financial Adviser, the text of which is set out on pages 22 to 52 of this circular;
- (c) the annual reports of the Company for each of the two years ended 31 December 2015 and 2016;
- (d) the interim report of the Company for the six months ended 30 June 2017;
- (e) the written consent referred to in the paragraph headed "Expert and Consent" in this appendix;
- (f) the service contracts of the Directors referred to in the paragraph headed "Directors' Service Contracts" in this appendix; and
- (g) this circular.

NOTICE OF EGM



New Sports Group Limited 新體育集團有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 299)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of New Sports Group Limited (the “Company”) will be held at Unit 2602, 26/F., Lippo Centre, Tower 1, No. 89 Queensway, Admiralty, Hong Kong on Friday, 23 February 2018 at 11:00 a.m. for the purpose of consideration and, if thought fit, passing, with or without modifications, the following resolutions:

ORDINARY RESOLUTIONS

1. THE SUBSCRIPTION

“THAT:

- (a) the subscription agreement dated 10 January 2018 (the “Subscription Agreement”) entered into between the Company and Tengyue Limited (the “Subscriber”) (a copy of the Subscription Agreement has been produced to the meeting and marked “A” and initialed by the Chairman of the meeting for identification purpose) in relation to the subscription of 408,625,621 new ordinary shares of HK\$0.05 each in the share capital of the Company (the “Subscription Shares”) by the Subscriber at the subscription price of HK\$0.50 Subscription Share (the “Subscription Price”) and the transaction contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) conditional upon The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting the listing of and permission to deal in the Subscription Shares on the Stock Exchange, the directors of the Company (the “Directors”) be and are hereby granted a specific mandate to issue and allot the Subscription Shares in accordance with the terms of the Subscription Agreement, provided that this specific mandate shall be in addition to, and shall not prejudice nor revoke any existing or such other general or specific mandates which may from time to time be granted to the Directors prior to the passing of this resolution; and

NOTICE OF EGM

- (c) any one of the Directors be and is hereby authorised to take any action and execute such other documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Subscription Agreement and the transaction contemplated thereunder, including, without limitation, the allotment and issue of the Subscription Shares.”

2. THE PLACING

“THAT:

- (a) the placing agreement dated 10 January 2018(the “**Placing Agreement**”) entered into between the Company and CCB International Capital Limited (the “**Placing Agent**”) as placing agent (a copy of Placing Agreement has been provided to the meeting and marked “B” and initialed by the Chairman of the meeting for identification purpose) in relation to a private placing of up to 1,634,502,485 new ordinary shares of HK\$0.05 each in the share capital of the Company (the “**Placing Shares**”) to independent placees (the “**Placees**”) at the placing price of HK\$0.50 per Placing Share (the “**Placing Price**”) and the transaction contemplated thereunder be and hereby approved, confirmed and ratified;
- (b) conditional upon the Stock Exchange granting the listing of and permission to deal in the Placing Shares on the Stock Exchange, the Directors be and are hereby granted a specific mandate to issue and allot the Placing Shares in accordance with the terms of the Placing Agreement, provided that this specific mandate shall be in addition to, and shall not prejudice nor revoke any existing or such other general or specific mandates which may from time to time be granted to the Directors prior to the passing of this resolution; and
- (c) any one of the Directors be and is hereby authorized to take any action and execute such other documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Placing Agreement and the transaction contemplated thereunder, including without limitation, the allotment and issue of the Placing Shares.”

NOTICE OF EGM

3. INCREASE IN AUTHORISED SHARE CAPITAL

“THAT:

- (a) the authorised share capital of the Company be increased from HK\$200,000,000 divided into 4,000,000,000 ordinary shares of HK\$0.05 each to HK\$400,000,000 divided into 8,000,000,000 ordinary shares of HK\$0.05 each by the creation of an additional 4,000,000,000 new ordinary shares of HK\$0.05 each (**“Increase in Authorised Share Capital”**); and
- (b) any one of the Directors be and is hereby authorized to do all such acts and things and execute all such documents which he/she considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Increase in Authorised Share Capital.”

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

Hong Kong, 6 February 2018

Principal Place of Business in Hong Kong:

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

Registered Office:

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

Notes:

- (1) A shareholder entitled to attend and vote at the EGM is entitled to appoint one or more proxy(ies) (if he/she/ it is the holder of two or more shares) to attend and, on a poll, vote instead of him/her at the EGM that the appointment shall specify the number and class of shares in respect of which such proxy is so appointed. A proxy need not be a shareholder of the Company.
- (2) In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be lodged with the Company's branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be).

NOTICE OF EGM

- (3) Completion and return of the form of proxy will not preclude members from attending and voting in person at the EGM or at any adjournment thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoke.
- (4) Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
- (5) Record date for determining the entitlement of the shareholders of the Company to attend and vote at the EGM will be on Thursday, 15 February 2018. In order to qualify for attending and voting at the Meeting, all completed share transfer forms, accompanied by the relevant certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 15 February 2018.

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