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WISDOM

WISDOM SPORTS GROUP

智美體育集團

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1661)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

The board (the “**Board**”) of the directors (the “**Directors**” and each a “**Director**”) of Wisdom Sports Group (the “**Company**” or “**Wisdom**”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2018, together with the comparative figures for the corresponding period in 2017.

Financial highlights are as follows:

- Revenue from Events Operation and Marketing, and Sports Services increased by approximately 36.4% to RMB120.2 million for the six months ended 30 June 2018 from RMB88.1 million for the six months ended 30 June 2017;
- Gross profit from Events Operation and Marketing, and Sports Services increased by approximately 11.7% to RMB57.5 million for the six months ended 30 June 2018 from RMB51.5 million for the six months ended 30 June 2017;
- The Board has not proposed to declare any interim dividend for the six months ended 30 June 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended 30 June	
	<i>Note</i>	2018	2017
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Continuing operations			
Revenue	5	148,726	88,075
Cost of services		(92,136)	(36,579)
Gross profit		56,590	51,496
Other income	6	71,325	10,870
Other losses	7	(3,347)	(7,775)
Selling and distribution expenses		(5,911)	(9,643)
General and administrative expenses		(18,117)	(18,958)
Profit from operations		100,540	25,990
Share of results of associates		(10,073)	(709)
Share of result of a joint venture		—	(2,272)
Profit before tax		90,467	23,009
Income tax expense	9	(44,406)	(12,166)
Profit for the period from continuing operations	10	46,061	10,843
Discontinued operations	11		
Profit for the period from discontinued operations		—	69,300
Profit for the period		46,061	80,143
Attributable to:			
Owners of the Company		46,061	80,143
Non-controlling interests		—	—
		46,061	80,143

		Six months ended 30 June	
	Note	2018	2017
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Equity investments designated at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		(9,932)	–
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Available-for-sale financial assets – net movement in fair value reserve (recycling) (note (b))		–	(120)
Other comprehensive income for the period, net of tax		(9,932)	(120)
Total comprehensive income for the period		36,129	80,023
Attributable to:			
Owners of the Company		36,129	80,023
Non-controlling interests		–	–
		36,129	80,023
Earnings per share attributable to owners of the Company			
	13		
From continuing and discontinued operations			
Basic and diluted		RMB0.03	RMB0.05
From continuing operations			
Basic and diluted		RMB0.03	RMB0.01

Notes:

- (a) The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information in the condensed consolidated statement of profit or loss and other comprehensive income is not restated. Details of changes in accounting policies are disclosed in note 3 to this interim financial information.
- (b) This amount arising under the accounting policies is applicable prior to 1 January 2018. As part of the opening balance adjustments as at 1 January 2018, the balance of this reserve has been reclassified to fair value reserve (non-recycling) and will not be reclassified to profit or loss in any future periods. Details of changes in accounting policies are disclosed in note 3(b) to this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2018

	<i>Note</i>	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		20,836	20,870
Investment properties		17,583	18,212
Goodwill		51,844	105
Intangible assets		110,492	8,868
Equity investments		48,654	54,850
Other receivables		49,828	50,000
Investments in associates		29,143	92,271
Deferred tax assets		2,235	2,042
Other non-current assets		64,150	—
Total non-current assets		394,765	247,218
Current assets			
Trade and bills receivables	14	96,561	172,607
Other receivables		403,008	469,301
Prepayments and other current assets		95,754	118,829
Cash and cash equivalents		287,102	324,434
Total current assets		882,425	1,085,171
TOTAL ASSETS		1,277,190	1,332,389
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		2,454	2,454
Reserves		1,150,699	1,210,319
		1,153,153	1,212,773
Non-controlling interests		24,385	—
TOTAL EQUITY		1,177,538	1,212,773

	<i>Note</i>	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
LIABILITIES			
Non-current liability			
Deferred tax liability		<u>26,150</u>	<u>—</u>
Current liabilities			
Trade payables	15	33,293	68,782
Other payables and accrued expenses		14,670	18,177
Contract liabilities		8,235	6,244
Income tax payables		<u>17,304</u>	<u>26,413</u>
Total current liabilities		<u>73,502</u>	<u>119,616</u>
TOTAL LIABILITIES		<u>99,652</u>	<u>119,616</u>
TOTAL EQUITY AND LIABILITIES		<u>1,277,190</u>	<u>1,332,389</u>
NET CURRENT ASSETS		<u>808,923</u>	<u>965,555</u>

Note: The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information in the condensed consolidated statement of financial position is not restated. Details of changes in accounting policies are disclosed in note 3 to this interim financial information.

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Wisdom Sports Group (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (2012 Revision) of the Cayman Islands on 21 March 2012 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its ultimate controlling party is Ms. Ren Wen, who is also the Chairlady of the Board and President of the Company. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company in China is No. 43, Building B, 25 Xiaoyun Road, Chaoyang District, Beijing, the People’s Republic of China (the “**PRC**”). The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) is principally engaged in the provision of events operation and marketing services, sports services and advertising program and branding services in the PRC.

2. BASIS OF PREPARATION

This interim financial information is unaudited and has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. It was authorised for issue on 30 August 2018.

This interim financial information should be read in conjunction with the 2017 annual financial statements, which were prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all HKFRSs, HKASs and Interpretations). The accounting policies and methods of computation used in the preparation of this interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2017 except as stated in note 3 to this interim financial information below.

3. CHANGES IN ACCOUNTING POLICIES

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current interim period of the Group. Of these, the following new standards are relevant to the Group’s unaudited condensed consolidated interim financial statements:

HKFRS 9 *Financial instruments*

HKFRS 15 *Revenue from contracts with customers*

The Group has initially adopted HKFRS 9 and HKFRS 15 from 1 January 2018. Other new standards or interpretations that are effective on 1 January 2018 do not have significant financial impacts on this interim financial information.

The Group has been impacted by HKFRS 9 only in relation to classification of financial assets and measurement of credit losses. Details of changes in accounting policies are discussed in note 3(b).

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated in accordance with the practical expedients permitted under the standard. The following table shows the opening balance adjustments recognised for line items in the consolidated statement of financial position that have been impacted by HKFRS 9 only:

	At 31 December 2017 RMB'000	Impact on initial application of HKFRS 9 (note 3(b)) RMB'000	At 1 January 2018 RMB'000
Non-current assets			
Equity investments	54,850	3,736	58,586
Other receivables	50,000	(172)	49,828
Deferred tax assets	<u>2,042</u>	<u>157</u>	<u>2,199</u>
Current assets			
Trade and bills receivables	172,607	(627)	171,980
Other receivables	<u>469,301</u>	<u>(226)</u>	<u>469,075</u>
Equity			
Reserves	<u>1,210,319</u>	<u>2,868</u>	<u>1,213,187</u>

Further details of these changes are set out in note 3(b).

(b) HKFRS 9 *Financial instruments*

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement*. It sets out the requirements for recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained profits and reserves and the related tax impact at 1 January 2018:

Retained profits	<i>RMB'000</i>
Transferred to fair value reserve (non-recycling) relating to impairment loss of equity investments designated at fair value through other comprehensive income recognised in prior year	3,260
Recognition of additional expected credit losses on:	
– trade and bills receivables	(627)
– other receivables (non-current and current)	(398)
Related tax	<u>157</u>
Net increase in retained profits at 1 January 2018	<u><u>2,392</u></u>
Fair value reserve (recycling)	
Transferred to fair value reserve (non-recycling) relating to equity investments designated at fair value through other comprehensive income	<u>1,890</u>
Net increase in fair value reserve (recycling) at 1 January 2018	<u><u>1,890</u></u>
Fair value reserve (non-recycling)	
Transferred from fair value reserve (recycling) relating to equity investments designated at fair value through other comprehensive income	(1,890)
Transferred from retained profits relating to impairment loss of equity investments designated at fair value through other comprehensive income recognised in prior year	(3,260)
Remeasurement of fair value of available-for-sale financial assets previously carried at cost under HKAS 39	<u>3,736</u>
Net decrease in fair value reserve (non-recycling) at 1 January 2018	<u><u>(1,414)</u></u>

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) *Classification of financial assets and financial liabilities*

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (“**FVTOCI**”) and at fair value through profit or loss (“**FVTPL**”). These supersede HKAS 39’s categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;
- FVTOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or
- FVTPL, if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI (non-recycling), are recognised in profit or loss as other income.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9:

	HKAS 39 carrying amount at 31 December 2017 RMB'000	Reclassification RMB'000	Remeasurement RMB'000	HKFRS 9 carrying amount at 1 January 2018 RMB'000
Financial assets carried at amortised cost				
Trade and bills receivables	172,607	–	(627)	171,980
Other receivables (Non-current)	50,000	–	(172)	49,828
Other receivables (Current)	<u>469,301</u>	<u>–</u>	<u>(226)</u>	<u>469,075</u>
	<u>691,908</u>	<u>–</u>	<u>(1,025)</u>	<u>690,883</u>
Equity investments designated at FVTOCI				
Equity investments (<i>note (i)</i>)	<u>–</u>	<u>54,850</u>	<u>3,736</u>	<u>58,586</u>
Financial assets classified as available-for-sale under HKAS 39 (<i>note (i)</i>)	<u>54,850</u>	<u>(54,850)</u>	<u>–</u>	<u>–</u>

Note:

- (i) Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVTPL under HKFRS 9, unless they are eligible for and designated at FVTOCI by the Group. At 1 January 2018, the Group designated all its equity investments at FVTOCI as the investment is held for strategic purposes.

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVTPL at 1 January 2018.

(ii) *Expected credit losses*

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the expected credit loss (“ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

- financial assets measured at amortised cost (including trade and bills receivables, and other receivables (non-current and current))

Financial assets measured at fair value, including equity investments designated at FVTOCI, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- trade and bills receivables, and other receivables (non-current and current): 1-year basic borrowing rate for financial institution from the People’s Bank of China.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade and bills receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For other receivables (non-current and current), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as aging and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment loss or reversal of an impairment loss in profit or loss. The Group recognises an impairment loss or reversal of an impairment loss for all financial instruments with a corresponding adjustment to their carrying amount through allowance for impairment account.

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less allowance for impairment) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to RMB1,025,000, which decreased retained profits by RMB868,000 and increased gross deferred tax assets by RMB157,000 at 1 January 2018.

The following table reconciles the closing allowance for impairment determined in accordance with HKAS 39 as at 31 December 2017 with the opening allowance for impairment determined in accordance with HKFRS 9 as at 1 January 2018:

	<i>RMB'000</i>
Allowance for impairment at 31 December 2017 under HKAS 39	25,332
Additional credit loss recognised at 1 January 2018 on:	
– Trade and bills receivables	627
– Other receivables (non-current and current)	<u>398</u>
Allowance for impairment at 1 January 2018 under HKFRS 9	<u><u>26,357</u></u>

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained profits and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.
- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):
 - the determination of the business model within which a financial asset is held; and
 - the designation of equity investments not held for trading to be classified as at FVTOCI.
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) HKFRS 15 Revenue from contracts with customers

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

HKFRS 15 does not have significant financial impacts on this interim financial information.

4. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. The Group has not early adopted any new or amended standards in preparing this interim financial information.

The Group has the following update to the information provided in the last annual financial statements in respect of HKFRS 16 *Leases*, which may have a significant impact on the Group's consolidated financial statements:

HKFRS 16 Leases

As discussed in the 2017 annual report, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of HKFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset at the commencement date of the lease, subject to practical expedients. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases.

During the six months ended 30 June 2018, the Group has entered into several new lease agreements with lease terms ranging from 0.5 to 3 years. These leases are currently classified as operating leases. As a result of these new lease agreements, the impact of the initial adoption of HKFRS 16 is now estimated to be more significant than the Group's expectation at the time when the 2017 annual financial statements were prepared.

The following is the updated information about the Group's future minimum lease payments, based on the non-cancellable operating leases that have been entered into by 30 June 2018:

	<i>RMB'000</i>
Amounts payable:	
Within 6 months	5,068
After 6 months but within 1 year	4,929
After 1 year but within 5 years	<u>19,283</u>
	<u><u>29,280</u></u>

Upon the initial adoption of HKFRS 16 at 1 January 2019, the present value of most of the future minimum lease payments that are payable after 6 months but within 1 year from 30 June 2018 of RMB4,929,000 and after 1 year but within 5 years from 30 June 2018 of RMB19,283,000 will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16.

5. REVENUE

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

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Events sponsorship income	62,541	51,168
Sports services income	57,646	36,907
Advertising income	<u>28,539</u>	<u>—</u>
	<u><u>148,726</u></u>	<u><u>88,075</u></u>

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Timing of revenue recognition		
– At a point in time	120,187	88,075
– Over time	28,539	–
	148,726	88,075

Revenue recognised at a point in time comprises income generated from sports-related competitions by the provision of events operation and marketing services, and sport services when the competitions are held, while revenue recognised over time comprises income from the provision of advertising services through arranging broadcast of the customers' advertisement in selected media suppliers' television programs over the contract term.

The following table provides information about trade and bills receivables and contract liabilities from contracts with customers:

	30 June	31 December
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade and bills receivables	96,561	172,607
Contract liabilities	(8,235)	(6,244)

The contract liabilities primarily relate to the advance consideration received from customers relating to the provision of advertising services, for which revenue is recognised over time.

RMB Nil is recognised in the revenue for the six months ended 30 June 2018 relating to the contract liabilities balance as at 31 December 2017.

6. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Continuing operations		
Interest income from treasury products (<i>note (a)</i>)	6,055	4,998
Interest income from loans to companies	1,786	–
Interest income from fund investment in a partnership	2,000	2,000
Interest income from short-term bank deposits	3,164	870
Government grants (<i>note (b)</i>)	1,823	2,837
Rental income	209	155
Share compensation from investment in an associate (<i>note 16</i>)	56,288	–
Others	–	10
	71,325	10,870

Notes:

- (a) The Group invested in unlisted treasury products issued by commercial banks in the PRC. The principals of these investments are guaranteed by the corresponding commercial banks. The investments are denominated in RMB and with maturity periods within three months. The rates of return range from 2.0% to 6.5% per annum.
- (b) The Group benefits from government grants in the form of tax refund from governmental bodies of Fuzhou, Jiangxi Province for the six months ended 30 June 2018 and 2017 as a result of their contribution for developing the cultural and media industry in the respective cities.

7. OTHER LOSSES

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Continuing operations		
Allowance for impairment of trade and bills receivables	(144)	(6,631)
Reversal of allowance for/(allowance for) impairment of other receivables	33	(786)
Exchange losses	(63)	(203)
Remeasurement of pre-existing interest in an associate for step acquisition (note 16)	(3,072)	–
Loss on disposal of property, plant and equipment	(98)	–
Others	(3)	(155)
	<u>(3,347)</u>	<u>(7,775)</u>

8. SEGMENT INFORMATION

Information reported to the Chief Executive Officer, being the chief operating decision maker (“CODM”), for the purposes of resources allocation and assessment of segment performance focuses on types of services provided.

The Group has three reportable operating segments, which are (a) Events Operation and Marketing; (b) Sports Services and (c) Advertising Program and Branding. The segment information reported does not include any amounts for the discontinued operations for the six months ended 30 June 2018 and 2017, which are described in more detail in Discontinued Operations (see note 11 to the interim financial information).

The Group's operating and reportable segments are as follows:

Events Operation and Marketing	Providing mainly marketing services in conjunction with sports-related competitions. Types of revenue include corporate sponsorship income and sales of commercial rights of events.
Sports Services	Providing services to government, marathon runners and media companies in conjunction with sports-related competitions. Types of revenue include events organisation income, sales of the broadcasting rights of events and individual consumption.
Advertising Program and Branding	Provision of advertising and directing, filming and producing video programs for television stations and program production services. Type of revenue includes advertising income.

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

Segment results are measured as gross profit of each segment without allocation of selling and distribution expenses, general and administrative expenses, other income, other losses, share of results of associates, share of result of a joint venture and income tax expense. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

No segment assets or liabilities information or other segment information is provided as the CODM does not review this information for the purposes of resource allocation and assessment of segment performance.

No geographical segment information is presented as all the sales and operating profits of the Group are derived within the PRC and all the operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2018 and 2017 is as follows:

Six months ended 30 June 2018

	Events Operation and Marketing <i>RMB'000</i> (unaudited)	Sports Services <i>RMB'000</i> (unaudited)	Advertising Program and Branding <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)
Revenue	62,541	57,646	28,539	148,726
Cost of services	<u>(32,837)</u>	<u>(29,926)</u>	<u>(29,373)</u>	<u>(92,136)</u>
Segment results	<u>29,704</u>	<u>27,720</u>	<u>(834)</u>	<u>56,590</u>
Other income				71,325
Other losses				(3,347)
Selling and distribution expenses				(5,911)
General and administrative expenses				(18,117)
Share of results of associates				(10,073)
Income tax expense				<u>(44,406)</u>
Profit for the period from continuing operations				<u><u>46,061</u></u>

Six months ended 30 June 2017

	Events Operation and Marketing <i>RMB'000</i> (unaudited)	Sports Services <i>RMB'000</i> (unaudited)	Advertising Program and Branding <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)
Revenue	51,168	36,907	–	88,075
Cost of services	<u>(28,510)</u>	<u>(8,069)</u>	<u>–</u>	<u>(36,579)</u>
Segment results	<u>22,658</u>	<u>28,838</u>	<u>–</u>	<u>51,496</u>
Other income				10,870
Other losses				(7,775)
Selling and distribution expenses				(9,643)
General and administrative expenses				(18,958)
Share of results of associates				(709)
Share of result of a joint venture				(2,272)
Income tax expense				<u>(12,166)</u>
Profit for the period from continuing operations				<u><u>10,843</u></u>

9. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current tax	44,442	12,166
Deferred tax	<u>(36)</u>	<u>–</u>
	<u>44,406</u>	<u>12,166</u>

No provision for Hong Kong Profits Tax was required since the Group had no assessable profits for the six months ended 30 June 2018 and 2017.

PRC Corporate Income Tax has been provided at a rate of 25% (2017: 25%).

Pursuant to the PRC law on Corporate Income Tax, 10% withholding income tax will be levied on foreign investors for dividend distribution from foreign invested enterprises' profit earned after 1 January 2008. For qualified investors incorporated in Hong Kong, a treaty rate of 5% will be applied.

Tax charged on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

10. PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS

The Group's profit for the period is stated after charging/(crediting) the following:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Amortisation of intangible assets	2,976	2,962
Depreciation of property, plant and equipment	1,698	1,547
Depreciation of investment properties	629	629
Share compensation from investment in an associate (<i>note 16</i>)	(56,288)	—
Remeasurment of pre-existing interest in an associate for step acquisition (<i>note 16</i>)	3,072	—
Loss on disposals of property, plant and equipment (<i>note 7</i>)	98	—
Operating lease charges		
– Office premises	3,418	4,203
Staff costs		
– Salaries, bonuses and allowances	9,197	12,252
– Retirement benefit scheme contributions	1,425	3,494
– Share-based payments	145	423
Auditor's remuneration	900	900
Allowance for impairment of trade and bills receivables	144	6,631
(Reversal of allowance for)/allowance for impairment of other receivables	(33)	786

11. DISCONTINUED OPERATIONS

In 2016, the Group entered into an agreement with Beijing Enbiou Sports Management Co., Ltd. (“**NBL Company**”) to obtain the exclusive commercial right of 2016-2019 National Men's Basketball League (“**NBL**”) from NBL Company.

On 10 February 2017, the Group entered into an Equity Transfer Agreement to dispose of a subsidiary, Shenzhen Wisdom Basketball Industry Co., Ltd. (“**SWBI**”), which carried out all of the Group's NBL event operation at a consideration of RMB116,000,000 (the “**Disposal**”). The Disposal was effected in order to access other opportunities with additional funds for the expansion of the Group's other businesses. The Disposal was completed on 10 May 2017 and control of SWBI passed to the acquirer on the same day. After the Disposal, the Group discontinued the NBL event operation. The Group treated this operation as discontinued operations.

Profit for the period from discontinued operations:

	Period from 1 January 2017 to 10 May 2017 <i>RMB'000</i> (audited)
Gain on disposal of NBL event operation	92,400
Income tax expense	<u>(23,100)</u>
Profit for the period from discontinued operations (attributable to owners of the Company)	<u><u>69,300</u></u>

Note: Details of other financial information of the Discontinued Operations for the period from 1 January 2017 to 10 May 2017 were set out in 2017 annual report.

12. DIVIDENDS

On 29 August 2017, the Board declared the payment of an interim dividend of RMB0.038 per share, amounting to a total dividend of approximately RMB60,532,000, for the six months ended 30 June 2017 to the shareholders whose names appeared on the register of members of the Company on 27 October 2017.

No dividend was paid, declared or proposed in respect of the six months ended 30 June 2018.

13. EARNINGS PER SHARE

(a) From continuing and discontinued operations

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

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Earnings attributable to owners of the Company		
Earnings for the purpose of calculating basic and diluted earnings per share	<u><u>46,061</u></u>	<u><u>80,143</u></u>

	Six months ended 30 June	
	2018	2017
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	<u>1,592,942</u>	<u>1,602,001</u>

(b) From continuing operations

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings attributable to owners of the Company		
Earnings for the purpose of calculating basic and diluted earnings per share from continuing and discontinued operations for the period	46,061	80,143
Earnings for the period from discontinued operations	<u>–</u>	<u>(69,300)</u>
Earnings for the purpose of calculating basic and diluted earnings per share from continuing operations	<u>46,061</u>	<u>10,843</u>

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted earnings per share are the same.

(c) From discontinued operations – unaudited

Basic and diluted earnings per share from the discontinued operations for the six months ended 30 June 2018 are RMB Nil per share (six months ended 30 June 2017: RMB0.04 per share), based on the profit for the six months ended 30 June 2018 from discontinued operations attributable to owners of the Company of RMB Nil (six months ended 30 June 2017: RMB69,300,000) and the denominators used are the same as those detailed above for both basic and diluted earnings per share.

The computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise price of those share options was higher than the average market price for shares for the six months ended 30 June 2018 and 2017.

14. TRADE AND BILLS RECEIVABLES

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Trade and bills receivables	118,012	193,287
Allowance for impairment of trade and bills receivables	(21,451)	(20,680)
	<u>96,561</u>	<u>172,607</u>

The following is an aging analysis of trade and bills receivables, net of allowance for impairment of trade and bills receivables presented based on the invoice dates:

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Within 1 month	39,870	32,590
1 to 3 months	10,826	65,410
4 to 6 months	7,300	59,680
7 to 12 months	27,860	3,420
1 to 2 years	1,781	3,000
Over 2 years	8,924	8,507
	<u>96,561</u>	<u>172,607</u>

The carrying amounts of the Group's trade and bills receivables are all denominated in RMB.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade and bills receivables. The expected credit losses are calculated based on shared credit risk characteristics and the aging under HKFRS 9.

15. TRADE PAYABLES

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Trade payables	<u>33,293</u>	<u>68,782</u>

Trade payables comprised amounts due to suppliers for purchase of goods or services used in regular course of business. Trade payables are non-interest bearing and generally due upon demand. An aging analysis of trade payables based on the invoice dates is as follows:

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Within 1 month	7,081	19,215
1 to 3 months	11,122	6,400
4 to 6 months	1,597	6,027
7 to 12 months	5,721	425
Over 12 months	<u>7,772</u>	<u>36,715</u>
	<u>33,293</u>	<u>68,782</u>

The carrying amounts of the Group's trade payables are all denominated in RMB.

16. ACQUISITION OF A SUBSIDIARY THROUGH STEP ACQUISITION OF AN ASSOCIATE

On 30 June 2018, the Group obtained 36.6% of the equity interest of Beijing Shangde Shangpin Sports Development Co., Ltd., whose name was changed to Beijing Shangde Da'ai Sports Co., Ltd. ("SDDA") under a share compensation. On the same date, SDDA is a subsidiary of the Group upon the holding of a total of 69.1% equity interest. SDDA is engaged in the service provision for the organisation of marathon events and holds an operating right of marathon events during the period. The acquisition is part of the Group's strategy to expand its marathon events business.

The Group accordingly remeasured the fair value of its pre-existing interest of 32.5% in SDDA at 30 June 2018 and recognised the resulting loss of RMB3,072,000 on the remeasurement of the Group's pre-existing interest in SDDA to 30 June 2018's fair value.

Details of the carrying value and fair value of the Group's pre-existing interest in SDDA at 30 June 2018 are summarised as follows:

	<i>RMB'000</i> (unaudited)
Share of net assets	53,054
Less: Fair value of pre-existing interest	<u>(49,982)</u>
Loss on remeasurement (<i>note 7</i>)	<u>3,072</u>

The fair value of the identifiable assets and liabilities of SDDA at the date of acquisition is as follows:

	<i>RMB'000</i> (unaudited)
Net assets acquired:	
Property, plant and equipment	478
Intangible assets	104,600
Trade receivables	400
Prepayments, deposits and other receivables	18,586
Value-added and other taxes' credits	125
Cash and cash equivalents	3,353
Trade and other payables	(22,476)
Deferred tax liability	<u>(26,150)</u>
 Total identifiable net assets at fair value	 78,916
Non-controlling interest	<u>(24,385)</u>
	54,531
Fair value of share compensation of 36.6% equity interest from investment in an associate (<i>note 6</i>)	(56,288)
Fair value of pre-existing interest	<u>(49,982)</u>
 Goodwill	 <u><u>(51,739)</u></u>
 Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	<u><u>3,353</u></u>

No consideration was transferred by the Group to obtain the control of SDDA.

The goodwill arising on the acquisition of SDDA is attributable to the anticipated profitability from holding marathon events in the new cities and the anticipated future operating synergies from the combination.

17. EVENTS AFTER THE REPORTING PERIOD

Shenzhen Wisdom Sports Industry Co., Ltd. ("**Shenzhen Wisdom**"), a wholly-owned subsidiary of the Company, signed an investment agreement with Beijing Sports and Entertainment Industry Group Limited ("**Beijing Sports Group**"), an independent third party, on 5 July 2018, pursuant to which a joint investment will be made in Wisdom Sports Arena Operation (Shenzhen) Co., Ltd. (the "**Arena Company**"). Upon the completion of the investment, Shenzhen Wisdom and Beijing Sports Group will hold 40% and 50% of the equity interest in the Arena Company, respectively. The remaining 10% of the equity interest in the Arena Company will continue to be held by the management of the Arena Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Overview

As the largest operator in the running industry in China, under the guidance of the “Sports +” strategy and by virtue of its operational experience and advantages in the running industry, the Group has developed an operation model of whole industry chain covering events operation, sports marketing and sports services, capable of providing high-quality sports products and services for the government at all levels, enterprise customers and wider sport consumers in China.

2018 is the second year of the “Running in China” marathon series, a national-level IP jointly hosted by CCTV, the Chinese Athletic Association and Wisdom Sports. During this year, 30 events under three themes, namely “Beautiful China”, “One Belt, One Road” and “Carry the Reform Through to the End” will be launched for the “Running in China” marathon series. The first half of this year saw the launch of 10 events, including but not limited to the “Qianjiang International Marathon”, the “Kunming Plateau Half Marathon”, the “Changchun Marathon” and the “Jilin Marathon”. In addition, the overall upgrade of live events and video production attracted wide attention to “Running in China”, which recorded a television audience market share of up to 16.27%. In the first half of 2018, the average audience rating of each event exceeded 0.2, the highest in the same time-slot. Meanwhile, in addition to 25 awards granted to the Group by the Chinese Athletics Association last year, the “Guangzhou Marathon” was awarded gold label status and each of the “Hangzhou Marathon” and the “Shenzhen Marathon” were awarded silver label status for 2017 by the International Association of Athletics Federations (IAAF), showing the Group has such ability in operating marathon events that it can receive top sports awards from international well-known organisations.

The “national fitness platform in smart cities” established and operated by the Group has also made new progress. 21 June witnessed the grand opening ceremony of the 2018 “Running in Guangxi” Ecological Marathon Series and Smart Marathon (Guangxi Station) (2018 “奔跑吧·廣西”生態馬拉松系列賽暨智慧馬拉松(廣西站)), part of the “smart marathon” series. The smart marathon series has begun on 15 July and will end by the end of this year, covering 14 regional sites in Guangxi Province. The “smart marathon” series is an integral part of the “national fitness platform in smart cities”. Relying on such events and by scientific means, the Group obtains sports data of each running enthusiast to further accumulate data for the establishment of the “national fitness platform in smart cities”.

Further to the development of the running industry, the Group and the Beijing Sports and Entertainment Industry Group Limited (“**Beijing Sports Group**”) jointly announced on 5 July to initiate strategic cooperation to make joint investment in Wisdom Sports Arena Operation (Shenzhen) Co., Ltd.. The initiative shows the dedication of the two leading corporations of the sports industry in China to make overall plans for integrated arenas and operate them in first-tier cities within the country, allowing a seamless linkage between the capital and the brand to be realised through complementary advantages and resource integration, thereby jointly expanding the “Thousand Arenas Program”. One thousand arenas are targeted to be established in the country within five years to support the establishment of a core mode of constructing, operating and maintaining sports facilities in China, rendering services to 80 million to 100 million middle-class sports consumers.

In respect of operation management, the Group has further strengthened the establishment of its management system, improved the optimisation process of the event system manual, updated financial system software and introduced and established the enterprise resource planning (ERP) system. It has also completed the scenario test of key databases' cloud migration to Software as a Service (SaaS) and an initial backup system has been established in case of contingency. The Group has intensified its internal coordination and communication system to improve the efficiency of internal control and employee execution. In addition, the Wisdom DNA Cultural Fund granted the second tranche of share options to 10 employees who have made outstanding contributions to the Company in July 2018. The Fund aims to pass on the corporate culture value of “Being a Visionary Entrepreneur and a Responsible Doer”, and motivate employees to continuously achieve breakthroughs in order to become an internal driving force for corporate development.

BUSINESS REVIEW

I. Events Operation and Marketing

Events operation and marketing segment is a segment for organising large-scale sports events and other activities. Its revenue is generated mainly from brand advertisers' title sponsorship fees, sponsorship fees and advertising fees obtained through events marketing.

In the first half of 2018, the “Running in China” marathon series, the national-level IP events, was held in 10 cities, namely Guigang, Wuxi, Kunming, Wuhan, Qianjiang, Yangzhou, Rongcheng, Dongying, Changchun and Jilin. After negotiation, the Group reached an agreement with the Organising Committee of the “Belgrade Marathon”, pursuant to which, the “Belgrade Marathon” has been included in the “One Belt, One Road” marathon series. Through the cooperation, more and deeper exchanges and communication between China and Serbia will also be carried out in the area of sports culture. Depending on the progress of the overseas “One Belt, One Road” marathon series, the Group will also expand sports tourism to provide domestic runners with more overseas events and sports tourism products.

In the running industry, the Group has accumulated more than 700 sponsor customers, covering multiple industry sectors, including automobile, finance, insurance, real estate, airline, beauty, sportswear and drinks. It has established long-term cooperation with more than 20% of such customers, including companies listed on the Fortune Global 500 and the Top 500 Enterprises of China. It has also upgraded sponsor services. In areas it excels, the Group has further consolidated its traditional clients, such as automobile companies, by deepening its cooperation with self-owned brands and new energy automobile clients and making arrangements in advance in line with the development of the industry. Meanwhile, it has further improved its ability to provide all-round services related to client sports marketing. Many clients, including water and costume providers, have established annual strategic cooperation platform with the Group.

II. Sports Services

Sports services segment is a vital component of the Group's strategic positioning, generating income from the government and users through the provision of sports service products. Its main characteristic is the provision of diversified products and services targeted at the government procurement market and mass sports consumer market, including areas such as government procurement services, sports tourism, sports training, and individual consumption.

In 2018, the Group continued to obtain resources from overseas events through the "One Belt, One Road" marathon series, thus creating more sports tourism service products for domestic runners. Through overall cooperation with international events, the Group has launched the registration service and tourism service products of various international events, including the Tokyo Marathon and the Taipei Marathon and expanded scenarios and products catering for individual users. Meanwhile, the Group will also continue to use the integrated online + offline service model as its core competitiveness and cultivate a supporting system for its sports consumption business in the form of sports education training, tournament derivatives, sports tourism, sports insurance, etc., so as to deliver comprehensive commercial value. Since the Group expanded into the running industry in 2012, it has established a database recording data of a large number of sports people through registration, timekeeping and offline activities. Such data includes information about the complete and real identity, sports data and health index of participants. As the largest running project in China, marathon is highly capable of improving the growth in data, stickiness and consumption of runners.

The Group has further upgraded its services for runners and introduced "I Help You" (我幫你), a new service system, to the "Running in China" series. It suggests a service concept named "Sanyong" (三用), meaning to provide service with the heart, with care and with a smile, which is the core of marathon voluntary services. In order to have a further understanding of the needs of runners, the Group visited 231 runner groups all around the country to help them to solve problems they may face during running and has established 12 clubs for elite runner groups, consisting of 4,000 members throughout the country. It held more than 40 runners' meetings, which were attended by 2,500 members from 200 runner groups. It promotes public welfare program in cities where marathons are held and has established three "Running in China" public libraries, collecting more than 5,000 books donated by runners.

OUTLOOK OF THE INDUSTRY AND THE GROUP

China's sports industry has been expanding in 2018 and is expected to generate a GDP of more than 1% by the end of this year. By then, sports consumption will be close to RMB1,000 billion and the number of organisations engaged in the sports industry will increase by over 20%, creating more than 4.4 million jobs. The sports industry plays an increasingly important role in boosting consumption, improving social well-being and maintaining stable economic growth. In addition, various new models and new forms have sprung up in the sports industry, for instance, the 35 cities and 110 units determined by the government as contact points of the sports industry to promote sports industry reform, as well as the accelerated establishment of various platforms including a sports and healthy city, sports town, sports complex, sports park and industry zone. The sports industry has evolved into an increasingly noticeable trend developing from stores to a chain of stores and further to a clustering network.

Among various popular sports consumption types, running, represented by marathon, is the most popular focus of the sports industry in China. With the lowest access threshold, marathon is the most popular sport by participation. From 22 events in 2011 to 1,102 events attracting nearly 5 million participants by the end of 2017, marathon has experienced a dramatic development, effectively driving the implementation of the national fitness business and boosting sports consumption, and becoming one of the segments with the most development potential in the sports industry in China. It is estimated that by 2020, there will be more than 1,900 marathon events in China attracting more than 10 million participants, with a market value of RMB120 billion.

As a pioneer of the marathon industry in China, the Group will continue to promote the development of the whole industry in a rapid manner in the second half of the year. Following the 10 events of "Running in China" series, the Group will launch more than 20 events in the second half of the year to provide more resources and better services for a large number of running enthusiasts.

The National Sports Industry Development Conference was held in Xiamen, Fujian, on 13 January 2018. Mr. Zhaoyong, deputy director of the State General Administration of Sports of China, attended and spoke at the meeting. As he emphasised, the sports industry business should be prioritised as an important measure for the establishment of good at sports and healthy China. And under the guidance of industry planning, focusing on sports events, underpinning by sports complexes, depending on the market and by means of "sports +" and "+ sports", relying on industry zones, bases and big data, driven by innovation and supported by government policies, China will promote the development of the sports industry in an effective and efficient way and aims to realise an overall output (total volume) of RMB3,000 billion by 2020 and RMB4,000 billion by 2022.

The Group and the Beijing Sports Group have made joint investment in Wisdom Sports Arena Operation (Shenzhen) Co., Ltd.. In the future, Wisdom Sports Arena Operation (Shenzhen) Co., Ltd. will attract customer base through independently organised IP events, youth trainings, exercise rehabilitation and nutrition, sports marketing, and sales of sports consumer goods and derivatives, provide various value-added services to sports community by big data analysis and build a multi-format consumption landscape of sports services that integrates online guidance + offline scenario, venue intelligentising + contents enrichment and advantage trainings + long-term management, thus making a national fitness service platform. It is designed to make sports a lifestyle of our people and make venues of Wisdom the new landmark of fitness nationwide.

In the future, the Group will also devote greater resources to smart sports. In 2018, Wisdom will complete the establishment of a “national fitness platform in smart cities” and build the public service platform for national fitness with the main objective to integrate data, technologies and businesses by consolidating the collected big data of the sports community and extending the application of big data of smart cities in areas such as venue, event, training, etc., so as to facilitate the integrated development of national health causes and industry in the new era.

FINANCIAL REVIEW

In the current period, the Group had three business divisions which represented three reportable operating segments, namely (a) Events Operation and Marketing: providing marketing services in conjunction with sports-related competitions. Its revenue mainly includes corporate sponsorship income; (b) Sports Services: providing services to government, marathon participants in conjunction with sports-related competitions. Types of revenue include events organisation income and individual consumption; and (c) Advertising Program and Branding: providing services of advertising and directing, filming and producing video programs for television stations and program production. Its revenue includes advertising income.

Revenue

The Group’s revenue increased by approximately 68.8% to RMB148.7 million for the six months ended 30 June 2018 from RMB88.1 million for the six months ended 30 June 2017, with the increase mainly due to the increase in marathon events operated. Details based on reportable segments are as follows:

- Revenue from Events Operation and Marketing increased by approximately 22.1% to RMB62.5 million for the six months ended 30 June 2018 from RMB51.2 million for the six months ended 30 June 2017. The increase was mainly due to the increased revenue of service upgrade for sponsors;
- Revenue of Sports Services increased by approximately 56.4% to RMB57.7 million for the six months ended 30 June 2018 from RMB36.9 million for the six months ended 30 June 2017. The growth was mainly due to the increase in the number of marathon events operated; and

- Revenue from Advertising Program and Branding was RMB28.5 million for the six months ended 30 June 2018, compared to RMB Nil for the six months ended 30 June 2017. The revenue from Advertising Program and Branding in this period was all from advertising income. The change mainly resulted from the use of the film and television resources over previous years to generate revenue in the current period.

Cost of Services

The Group's cost of services increased by approximately 151.6% to RMB92.1 million for the six months ended 30 June 2018 from RMB36.6 million for the six months ended 30 June 2017. Details of such increase are as follows:

- Cost of Events Operation and Marketing increased by approximately 15.1% to RMB32.8 million for the six months ended 30 June 2018 from RMB28.5 million for the six months ended 30 June 2017. The increase was mainly due to the service upgrade for sponsors;
- Cost of Sports Services increased by approximately 269.1% to RMB29.9 million for the six months ended 30 June 2018 from RMB8.1 million for the six months ended 30 June 2017. The increase was mainly due to: (i) the increase in marathon events operated; and (ii) the increased cost of service upgrade for participants; and
- Cost of Advertising Program and Branding was RMB29.4 million for the six months ended 30 June 2018 as compared to RMB Nil for the six months ended 30 June 2017. The change mainly resulted from the costs of the use of the film and television resources over previous years by the Group to generate revenue in the current period.

Gross Profit and Gross Margin

As a result of the aforementioned factors, the Group's gross profit increased by approximately 9.9% to RMB56.6 million for the six months ended 30 June 2018 from RMB51.5 million for the six months ended 30 June 2017. The gross margin decreased to approximately 38.1% for the six months ended 30 June 2018 from 58.5% for the six months ended 30 June 2017. The growth of the gross profit was mainly due to the increase in the gross profit of Events Operation and Marketing. The decrease in the gross margin was mainly due to the decrease in the gross margin of Sports Services. Details are as follows:

- As a result of the foregoing changes in revenue and cost of services of Events Operation and Marketing, the gross profit for Events Operation and Marketing increased by approximately 30.8% to RMB29.7 million for the six months ended 30 June 2018 from RMB22.7 million for the six months ended 30 June 2017. The gross margin increased to approximately 47.5% for the six months ended 30 June 2018 from 44.3% for the six months ended 30 June 2017;

- As a result of the foregoing changes in revenue and cost of service of Sports Services, the gross profit for Sports Services decreased by approximately 3.5% to RMB27.8 million for the six months ended 30 June 2018 from RMB28.8 million for the six months ended 30 June 2017. The gross margin decreased to 48.2% for the six months ended 30 June 2018 from 78.0% for the six months ended 30 June 2017. The decrease in gross margin was primarily due to the increased costs of service upgrade for participants and increased cost invested in extensive mass fitness publicity; and
- As a result of the foregoing changes in revenue and cost of services from Advertising Program and Branding, the gross loss for Advertising Program and Branding increased to RMB0.9 million for the six months ended 30 June 2018 from RMB Nil for the six months ended 30 June 2017. The gross loss margin increased to 3.2% for the six months ended 30 June 2018 from 0% for the six months ended 30 June 2017.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by approximately 38.5% to RMB5.9 million for the six months ended 30 June 2018 from RMB9.6 million for the six months ended 30 June 2017. The decrease was mainly due to a reduction in promotion and marketing consultancy fee.

General and Administrative Expenses

The Group's general and administrative expenses decreased by approximately 4.7% to RMB18.1 million for the six months ended 30 June 2018 from RMB19.0 million for the six months ended 30 June 2017. This decrease was mainly due to the Group's strengthened management of daily expenses.

Other Income

The Group's other income increased by approximately 554.1% to RMB71.3 million for the six months ended 30 June 2018 from RMB10.9 million for the six months ended 30 June 2017. The increase was mainly due to the increase in the income generated from purchasing principal-guaranteed and low risk financial products offered by reputable commercial banks and the share compensation received from SDDA.

Other Losses

The Group's other losses decreased by approximately 57.7% to net losses of RMB3.3 million for the six months ended 30 June 2018 from the net losses of RMB7.8 million for the six months ended 30 June 2017. The reduction in loss was mainly due to the decrease in the provision for doubtful debts in relation to trade and other receivables, and the decrease was offset by the fair value remeasurement of pre-existing interest in an associate of SDDA in step acquisition.

Profit before Tax

As a result of the foregoing, the Group's profit before tax increased by approximately 293.5% to RMB90.5 million for the six months ended 30 June 2018 from RMB23.0 million for the six months ended 30 June 2017.

Income Tax Expense

The Group's income tax expense increased by approximately 263.9% to RMB44.4 million for the six months ended 30 June 2018 from RMB12.2 million for the six months ended 30 June 2017. The increase was mainly due to the income tax expenses provided by the Group for share compensation from SDDA during the period, and the withholding tax provided for the dividends paid to the foreign-registered controlling company by the subsidiary under the Group in China.

Profit Attributable to the Group's Owners

As a result of the foregoing, the profit attributable to the Group's owners decreased by approximately 42.4% to RMB46.1 million for the six months ended 30 June 2018 from RMB80.1 million for the six months ended 30 June 2017.

Cash Flow

As at 30 June 2018, the Group's cash and cash equivalents amounted to approximately RMB287.1 million compared with that of approximately RMB324.4 million as at 31 December 2017.

Working Capital

The Group's net current assets decreased by approximately 16.2% to RMB808.9 million as at 30 June 2018 from RMB965.6 million as at 31 December 2017. The Group maintained a stable net current asset value and working capital at a relatively high level that can adequately meet the daily working capital requirements and finance the business development.

Capital Expenditure

The Group's total spending on the acquisition of property, plant and equipment amounted to RMB1.9 million for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB1.0 million).

CAPITAL STRUCTURE OF THE GROUP

The reorganisation of the Company and the subsidiaries of the Company as set out in the prospectus of the Company dated 28 June 2013 (the “**Prospectus**”) was completed on 24 June 2013. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 11 July 2013. On 7 August 2013, the Company issued an additional 9,045,000 ordinary shares at the offer price of HK\$2.11 each to the public upon the partial exercise of the over-allotment option. The options to subscribe for a total of 1,210,000 shares of the Company were granted on 23 May 2014 to employees of the Group and as at the date of this announcement, no option has been exercised. The options to subscribe for a total of 2,500,000 shares of the Company were granted on 29 May 2015 to employees of the Group and as at the date of this announcement, no option has been exercised. Save for the above, there was no alteration in the capital structure of the Group for the six months ended 30 June 2018.

CHARGE ON ASSETS

As at 30 June 2018, there was no charge on the Group’s assets.

CONTINGENT LIABILITIES

As at 30 June 2018, the Company had no material contingent liabilities.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from issue of new shares of the Company in its global offering and the partial exercise of over-allotment option (after deducting the underwriting fees, capitalised professional service fees and related expenses) amounted to approximately RMB635.9 million, which are intended to be applied in the manner as disclosed in the Prospectus in respect of the global offering of its shares. As at 30 June 2018, part of the proceeds was applied as follows:

RMB290.0 million raised through the listing has been used for the registered capital of Wisdom Culture (Zhejiang) Co., Ltd. (智美文化(浙江)有限公司) whose name was changed to Wisdom Events Operation and Management (Zhejiang) Co., Ltd. (智美賽事營運管理(浙江)有限公司) on 30 March 2015. The core business of such company will focus on organising sports competitions and related events, the development of sports-related products, brand promotion and communications services. The remaining net proceeds from the listing will be used for the suggested purposes as set out in the section headed “Use of Proceeds” of the Prospectus.

INTERIM DIVIDEND

No interim dividend has been paid or declared by the Company for the six months ended 30 June 2018.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2018.

CORPORATE GOVERNANCE CODE

The Company has applied the principles/code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The Board is of the view that for the six months ended 30 June 2018, the Company has complied with the code provisions as set out in the CG Code, save and except for code provision A.2.1. Details are set out below.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Ms. Ren Wen, who acts as the chairlady of the Board and an executive Director, is also the president of the Company and is responsible for the implementation of the strategic layout of the Group.

The Board meets regularly to consider major matters affecting the operations of the Group. The Board considers that this structure does not impair the balance of power and authority between the Board and the management of the Group. Executive Directors and the senior management perform separate duties to assist the chairlady and the president. The Board considers that the structure ensures an effective operation of the Group by exercising consolidated and consistent leadership.

The Company understands the importance of compliance with the code provision A.2.1 of the CG Code and will continue to consider the feasibility of compliance with this code provision. If compliance is determined, appropriate persons will be nominated to assume the different roles of chairman and chief executive.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors’ securities transactions. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the Model Code throughout the six months ended 30 June 2018.

The Company has also established written guidelines no less exacting than the Model Code (the “**Employees Written Guidelines**”) for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company throughout the six months ended 30 June 2018.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules and with terms of reference aligned with the code provision C.3 of the CG Code.

The Audit Committee is established for the purpose of reviewing the financial information and providing supervision on the financial reporting system, risk management and internal control systems as well as the effectiveness of the internal audit function of the Group.

The Audit Committee comprises three members, namely Mr. Chen Zhijian (Chairman), Mr. Jin Guoqiang and Mr. Ip Kwok On Sammy, all being independent non-executive Directors. Mr. Wei Kevin Cheng ceased to be the chairman of the Audit Committee and Mr. Chen Zhijian was appointed as the chairman of the Audit Committee with effect from 15 February 2018.

The Audit Committee met with the external auditor of the Company to discuss the review process and accounting issues of the Company. The interim financial results of the Group for the six months ended 30 June 2018 are unaudited but have been reviewed by RSM Hong Kong, the auditor of the Company, and by the Audit Committee.

The Audit Committee has reviewed together with the management of the Company the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2018 and considers the results are in compliance with generally accepted accounting principles as well as laws and regulations.

PUBLICATION OF 2018 INTERIM RESULTS AND 2018 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.wisdomsports.com.cn), and the 2018 Interim Report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Wisdom Sports Group
Ren Wen
Chairlady and Executive Director

Hong Kong, 30 August 2018

As at the date of this announcement, the executive directors of the Company are Ms. Ren Wen, Mr. Zhang Han, Mr. Song Hongfei and Ms. Hao Bin; and the independent non-executive directors of the Company are Mr. Chen Zhijian, Mr. Ip Kwok On Sammy and Mr. Jin Guoqiang.