WISDOM SPORTS GROUP
智美體育集團

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1661)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

CONSOLIDATED RESULTS

The board (the "**Board**") of directors (the "**Directors**" and each a "**Director**") of Wisdom Sports Group (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 (the "**Reporting Period**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**2018**	2017
		RMB'000	*RMB'000*
Continuing operations			
Revenue	*5*	**455,363**	371,463
Cost of services		**(329,539)**	(240,845)
Gross profit		**125,824**	130,618
Other income	*6*	**87,997**	26,113
Other losses	*7*	**(8,417)**	(8,770)
Selling and distribution expenses		**(13,562)**	(24,532)
General and administrative expenses		**(56,847)**	(51,144)
Profit from operations		**134,995**	72,285
Share of results of associates		**(15,630)**	(2,765)
Share of result of a joint venture		**–**	(1,772)
Profit before tax		**119,365**	67,748
Income tax expense	*9*	**(67,371)**	(35,460)
Profit for the year from continuing operations	*10*	**51,994**	32,288
Discontinued operations	*11*		
Profit for the year from discontinued operations		**–**	69,300
Profit for the year		**51,994**	101,588
Attributable to:			
Owners of the Company		**46,372**	101,588
Non-controlling interests		**5,622**	–
		51,994	101,588

	Note	2018	2017
		RMB'000	*RMB'000*
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Equity investments designated at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		**(29,076)**	–
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets – net movement in fair value reserve (recycling) *(note (b))*		**–**	(1,890)
Other comprehensive income for the year, net of tax		**(29,076)**	(1,890)
Total comprehensive income for the year		**22,918**	99,698
Attributable to:			
Owners of the Company		**17,296**	99,698
Non-controlling interests		**5,622**	–
		22,918	99,698
Earnings per share attributable to owners of the Company	*13*		
From continuing and discontinued operations			
Basic and diluted		**RMB0.03**	RMB0.06
From continuing operations			
Basic and diluted		**RMB0.03**	RMB0.02

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 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 these consolidated financial statements.

(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 these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Note	**2018**	2017
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**25,695**	20,870
Investment properties		**16,952**	18,212
Goodwill		**191,584**	105
Intangible assets		**98,532**	8,868
Equity investments		**29,510**	54,850
Other receivables		**–**	50,000
Investments in associates		**19,820**	92,271
Deferred tax assets		**5,116**	2,042
Other non-current assets		**15,365**	–
Total non-current assets		**402,574**	247,218
Current assets			
Inventories		**4,124**	–
Financial assets at fair value through profit or loss		**60,344**	–
Trade and bills receivables	*14*	**147,781**	172,607
Other receivables		**223,715**	469,301
Prepayments and other current assets		**51,526**	118,829
Cash and cash equivalents		**417,355**	324,434
Total current assets		**904,845**	1,085,171
TOTAL ASSETS		**1,307,419**	1,332,389
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**2,454**	2,454
Reserves		**1,131,928**	1,210,319
		1,134,382	1,212,773
Non-controlling interests		**36,584**	–
TOTAL EQUITY		**1,170,966**	1,212,773

	Note	2018	2017
		RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**23,535**	–
Current liabilities			
Trade payables	*15*	**67,454**	68,782
Other payables and accrued expenses		**15,939**	18,177
Contract liabilities		**2,650**	6,244
Income tax payables		**26,875**	26,413
Total current liabilities		**112,918**	119,616
TOTAL LIABILITIES		**136,453**	119,616
TOTAL EQUITY AND LIABILITIES		**1,307,419**	1,332,389
NET CURRENT ASSETS		**791,927**	965,555

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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.

These consolidated financial statements have been approved for issue by the Board of Directors on 29 March 2019.

2. BASIS OF PREPARATION

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

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

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 year of the Group. Of these, the following new standards are relevant to the Group's consolidated 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 the consolidated financial statements.

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	2,042	157	**2,199**
Current assets			
Trade and bills receivables	172,607	(627)	**171,980**
Other receivables	469,301	(226)	**469,075**
Equity			
Reserves	1,210,319	2,868	**1,213,187**

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:

	RMB'000
Retained profits	
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	**157**
Net increase in retained profits at 1 January 2018	**2,392**
Fair value reserve (recycling)	
Transferred to fair value reserve (non-recycling) relating to equity investments designated at fair value through other comprehensive income	**1,890**
Net increase in fair value reserve (recycling) at 1 January 2018	**1,890**

	RMB'000
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	**3,736**
Net decrease in fair value reserve (non-recycling) at 1 January 2018	**(1,414)**

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	Reclassification	Remeasurement	**HKFRS 9 carrying amount at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*	***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)	469,301	–	(226)	**469,075**
	691,908	–	(1,025)	**690,883**
Equity investments designated at FVTOCI				
Equity investments *(note)*	–	54,850	3,736	**58,586**
Financial assets classified as available-for-sale under HKAS 39 *(note)*	54,850	(54,850)	–	**–**

Note: Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets and carried at cost less impairment. 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 investments are 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: 1-year basic borrowing rate for financial institution from the People's Bank of China; and

– other receivables (non-current and current): any effective interest rates specified in the contracts.

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 were 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:

	RMB'000
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)	398
Allowance for impairment at 1 January 2018 under HKFRS 9	26,357

(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 the consolidated financial statements.

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16 *Leases*	1 January 2019
HK(IFRIC) 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Annual Improvements to HKFRSs 2015 – 2017 Cycle	1 January 2019
Amendments to HKAS 28 *Long-term Interest in Associates and Joint Ventures*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 16 *Leases*

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

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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

As at 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases amounted to RMB23,680,000. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

HK(IFRIC) 23 *Uncertainty over Income Tax Treatments*

The interpretation of HKAS 12 *Income Taxes* sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

5. REVENUE

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

	2018	2017
	RMB'000	*RMB'000*
Events sponsorship income	**179,408**	257,906
Sports services income	**191,666**	113,557
Advertising income	**84,289**	–
	455,363	371,463

	2018	2017
	RMB'000	*RMB'000*
Timing of revenue recognition		
– At a point in time	**413,550**	371,463
– Over time	**41,813**	–
	455,363	371,463

Revenue recognised at a point in time comprises income generated from sports-related competitions by the provision of events operation and marketing services, and sports services when the competitions are held, and sales of advertising resources, 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.

6. OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Continuing operations		
Interest income from treasury products *(note (a))*	**12,204**	11,988
Interest income from loans to companies	**4,025**	573
Interest income from fund investments in partnerships	**5,767**	3,667
Interest income from short-term bank deposits	**3,702**	668
Government grants *(note (b))*	**5,334**	8,516
Rental income	**468**	465
Share compensation from investment in an associate *(note 16)*	**56,288**	–
Others	**209**	236
	87,997	26,113

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 3.1% to 6.1% per annum.

(b) The Group benefits from government grants in the form of tax refund from governmental bodies of Fuzhou, Jiangxi Province for the years ended 31 December 2018 and 2017 as a result of their contribution for developing the cultural and media industry in the city.

7. OTHER LOSSES

	2018	2017
	RMB'000	*RMB'000*
Continuing operations		
Allowance for impairment of trade and bills receivables	**(11,705)**	(6,581)
Allowance for impairment of other receivables	**(4,107)**	(225)
Exchange gains/(losses)	**796**	(1,033)
Fair value gain on financial assets at fair value through profit or loss	**17,258**	–
Gain on disposal of a joint venture	**–**	1,301
Impairment of available-for-sale financial assets	**–**	(3,260)
Impairment of investment in an associate	**(3,767)**	–
Loss on disposal of intangible assets	**(1,927)**	–
Loss on disposal of property, plant and equipment	**(775)**	–
Remeasurement of pre-existing interest in an associate for step acquisition *(note 16)*	**(3,072)**	–
Others	**(1,118)**	1,028
	(8,417)	(8,770)

8. SEGMENT INFORMATION

Information reported to the Chief Executive Officer, being the chief operating decision maker ("**CODM**"), for the purpose 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, which are described in more detail in Discontinued Operations (see note 11).

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 mainly to government, marathon runners and media companies in conjunction with sports-related competitions. Types of revenue include events organisation income, events video production, sales of the broadcasting rights of events and individual consumption.
Advertising Program and Branding	Provision of advertising 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 purpose 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 purpose 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 years ended 31 December 2018 and 2017 is as follows:

Year ended 31 December 2018

	Events Operation and Marketing *RMB'000*	**Sports Services** *RMB'000*	**Advertising Program and Branding** *RMB'000*	**Total** *RMB'000*
Revenue	**179,408**	**191,666**	**84,289**	**455,363**
Cost of services	**(153,464)**	**(88,853)**	**(87,222)**	**(329,539)**
Segment results	**25,944**	**102,813**	**(2,933)**	**125,824**
Other income				**87,997**
Other losses				**(8,417)**
Selling and distribution expenses				**(13,562)**
General and administrative expenses				**(56,847)**
Share of results of associates				**(15,630)**
Income tax expense				**(67,371)**
Profit for the year from continuing operations				**51,994**

Year ended 31 December 2017

	Events Operation and Marketing *RMB'000*	Sports Services *RMB'000*	Advertising Program and Branding *RMB'000*	Total *RMB'000*
Revenue	257,906	113,557	–	371,463
Cost of services	(179,565)	(61,280)	–	(240,845)
Segment results	78,341	52,277	–	130,618
Other income				26,113
Other losses				(8,770)
Selling and distribution expenses				(24,532)
General and administrative expenses				(51,144)
Share of results of associates				(2,765)
Share of result of a joint venture				(1,772)
Income tax expense				(35,460)
Profit for the year from continuing operations				32,288

9. INCOME TAX EXPENSE

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

	2018 ***RMB'000***	2017 *RMB'000*
Current tax		
Provision for the year – the PRC	**68,159**	37,938
Under-/(over)-provision in prior years	**4,744**	(436)
	72,903	37,502
Deferred tax	**(5,532)**	(2,042)
	67,371	35,460

No provision for Hong Kong Profits Tax was required since the Group had no assessable profits for the years ended 31 December 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.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the respective applicable tax rate relating to continuing operations is as follows:

	2018	2017
	RMB'000	*RMB'000*
Profit before tax	**119,365**	67,748
Tax at the respective applicable tax rates	**29,580**	18,531
Tax effect of share of results of associates	**3,907**	691
Tax effect of share of result of a joint venture	**–**	443
Tax effect of income that is not taxable	**(3,258)**	(1,739)
Tax effect of expenses that is not deductible	**5,560**	3,016
Net tax effect of temporary differences not recognised	**(2,228)**	(473)
Tax effect of tax losses not recognised	**7,066**	7,427
Withholding tax	**22,000**	8,000
Under-/(over)-provision in prior years	**4,744**	(436)
Income tax expense	**67,371**	35,460

10. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

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

	2018	2017
	RMB'000	*RMB'000*
Amortisation of intangible assets	**13,554**	3,268
Depreciation of property, plant and equipment	**4,408**	3,053
Depreciation of investment properties	**1,260**	1,260
Fair value gain on financial assets at fair value through profit or loss	**(17,258)**	–
Loss on disposal of intangible assets	**1,927**	–
Loss on disposal of property, plant and equipment	**775**	–
Share compensation from investment in an associate *(note 16)*	**(56,288)**	–
Remeasurement of pre-existing interest in an associate for step acquisition *(note 16)*	**3,072**	–
Operating lease charges		
– Office premises	**7,788**	7,389
Staff costs		
– Salaries, bonuses and allowances	**22,568**	22,644
– Retirement benefits scheme contributions	**3,574**	4,271
– Share-based payments	**207**	1,203
Auditor's remuneration	**3,650**	5,600
Allowance for impairment of trade and bills receivables	**11,705**	6,581
Allowance for impairment of other receivables	**4,107**	225
Impairment of available-for-sale financial assets	**–**	3,260
Impairment of investment in an associate	**3,767**	–

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 *RMB'000*
Gain on disposal of NBL event operation	92,400
Income tax expense	(23,100)
Profit for the period from discontinued operations (attributable to owners of the Company)	69,300

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

12. DIVIDENDS

	2018 *RMB'000*	2017 *RMB'000*
2018 interim dividend of RMB Nil (2017: interim dividend of RMB0.038) per share	**–**	60,532
2017 final dividend of RMB0.062 (2017: 2016 final dividend of RMB Nil) per share	**98,762**	–
	98,762	60,532

Subsequent to the end of the Reporting Period, final dividend in respect of the year ended 31 December 2018 of RMB0.062 per share, amounting to a total dividend of RMB98,762,000, has been proposed by the Board and is subject to approval by the Company's shareholders at the forthcoming annual general meeting.

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:

	2018	2017
	RMB'000	*RMB'000*
Earnings attributable to owners of the Company		
Earnings for the purpose of calculating basic and diluted earnings per share	**46,372**	101,588

	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	**1,592,942**	1,597,434

(b) From continuing operations

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

	2018	2017
	RMB'000	*RMB'000*
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 year	**46,372**	101,588
Earnings for the year from discontinued operations	**–**	(69,300)
Earnings for the purpose of calculating basic and diluted earnings per share from continuing operations	**46,372**	32,288

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

Basic and diluted earnings per share from the discontinued operations for the year ended 31 December 2018 is RMB Nil per share (2017: RMB0.04 per share), based on the profit for the year ended 31 December 2018 from discontinued operations attributable to owners of the Company of RMB Nil (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 years ended 31 December 2018 and 2017.

14. TRADE AND BILLS RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade and bills receivables	**180,757**	193,287
Allowance for impairment of trade and bills receivables	**(32,976)**	(20,680)
	147,781	172,607

The Group generally allows an average credit period of 180 days (2017: 180 days) for its customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

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.

	2018	2017
	RMB'000	*RMB'000*
Within 1 month	**63,704**	32,590
1 to 3 months	**26,761**	65,410
4 to 6 months	**42,210**	59,680
7 to 12 months	**9,142**	3,420
1 to 2 years	**5,349**	3,000
Over 2 years	**615**	8,507
	147,781	172,607

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

15. TRADE PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**67,454**	68,782

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:

	2018	2017
	RMB'000	*RMB'000*
Within 1 month	**28,381**	19,215
1 to 3 months	**23,560**	6,400
4 to 6 months	**1,217**	6,027
7 to 12 months	**7,464**	425
Over 12 months	**6,832**	36,715
	67,454	68,782

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 Da'ai Sports Co., Ltd.* (北京上德大愛體育有限公司) ("**SDDA**") (formerly known as Beijing Shangde Shangpin Sports Development Co., Ltd.) under a share compensation, amounting to RMB56,288,000. 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:

	RMB'000
Carrying value of pre-existing interest in SDDA	53,054
Less: Fair value of pre-existing interest in SDDA	(49,982)
Loss on remeasurement *(note 7)*	3,072

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

	RMB'000
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	(26,150)
Total identifiable net assets at fair value	78,916
Non-controlling interest	(24,385)
	54,531
Fair value of share compensation of 36.6% equity interest from investment in an associate *(note 6)*	(56,288)
Fair value of pre-existing interest	(49,982)
Goodwill	(51,739)
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	3,353

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. ACQUISITION OF A SUBSIDIARY

On 23 November 2018, the Group obtained the entire equity interest of First AI Sports Technology (Shenzhen) Co., Ltd.* (第一智能體育科技(深圳)有限公司) ("**First AI**") (which holds 51.02% of the equity interest in Beijing Xinglian Lihe Technology Co., Ltd* (北京興聯力合科技有限公司) ("**Xinglian Lihe**"), its non-wholly-owned subsidiary). First AI is engaged in the service provision for the live broadcasting of large-scale tournaments and marathon timing, while Xinglian Lihe is engaged in the service provision for the live broadcasting and video production of large-scale tournaments. Before the acquisition of both First AI and Xinglian Lihe, they were parts of the service providers to the Group in providing live broadcasting, marathon timing and video production for the marathon events organised by the Group in the PRC. The acquisition is part of the Group's strategy to strengthen and enhance the Group's capability in the field of marathon events' live broadcasting, marathon timing and video production, while to enhance the commercial loop of events operation and marketing, and sports services for marathon events and sporting technology through establishing a database information system for runners. Details of the acquisition are set out in the Company's announcements dated 23 November 2018 and 13 December 2018 respectively.

The fair value of the identifiable consolidated assets and liabilities of First AI and Xinglian Lihe at the date of acquisition is as follows:

	RMB'000
Net consolidated assets acquired:	
Property, plant and equipment	7,221
Intangible assets	545
Inventories	282
Trade receivables	34,073
Prepayments, deposits and other receivables	51,650
Cash and cash equivalents	2,799
Trade and other payables, and contract liabilities	(49,838)
Total identifiable consolidated net assets at fair value	46,732
Non-controlling interest	(6,577)
	40,155
Total consideration	(180,000)
Goodwill	(139,845)
Total consideration:	
Satisfied by cash	171,398
Consideration payable	8,602
	180,000
Net cash outflow arising on acquisition:	
Cash consideration paid	171,398
Cash and cash equivalents acquired	(2,799)
	168,599

The goodwill arising on the acquisition of First AI (consolidating Xinglian Lihe) is attributable to the anticipated future operating synergies from the combination.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Overview

As a professional sports event operator in China, the Group has held more than 200 marathon events. Under the guidance of the "Sports +" strategy, the Group has formed a whole-industry chain operation mode integrating sports event operation, sports marketing, sports services, sports events live broadcasting and sports technology. The Group has completed the initial stage of industrial upgrading from sports operation to sports and health mass consumption market in order to provide reliable products and services to China's sports consumers.

In 2018, the Group held over 30 events, including "Running in China", "Smart Marathon" and other city marathon events. "Running in China" has had a full upgraded, introducing three major themes, namely "Beautiful China", "One Belt, One Road" and "Carry the Reform Through to the End" with a total of 28 events, over two million registrants and over 70 hours of live broadcast, reaching nearly 400 million people. This has satisfied the increasing demand of sports enthusiasts for nation-wide fitness, and also greatly stimulated the development of tourism economy of cities where such events were held.

Through the acquisition of First AI, the Group has enhanced the system construction of television live broadcasting and sports technology platform on the end of the industry chain. In the field of events live broadcasting, in addition to successfully served "Running in China" events, First AI provided television and network live broadcasting services for other city marathon events, as well as other types of events, including basketball, table tennis and badminton. The marathon timing chip developed by First AI has been certified by the Chinese Athletic Association and used in many events. At the same time, the trial run of its self-developed "Marathon Event Management Platform" has been conducted in events in the second half of the year. Such platform integrates the management of the security, medical, volunteer, supply and other areas of an event, and has received wide praise from governments and organising committees. It also provides an effective support to the Group in the "Sports+Technology" area for creating a closed-loop of sports industry chain.

In terms of team building and management, the Group successfully organised the second phase training of "Wisdom University" on system management. By introducing excellent teachers in the field of management, the Group conducted a week-long series of training for middle and senior management and employees, respectively, from management philosophy to professional quality improvement. Three subsidiaries of the Group successfully obtained the high-tech enterprises certification, bringing tax incentives for the Group and attracting talents. The Group has completed updating and upgrading its enterprise resource planning system and financial software which helped improving enterprise operation efficiency. In addition, Wisdom DNA Cultural Fund granted the second tranche of share options to 10 employees who have made outstanding contributions to the Company as usual, with a view to pass on the corporate culture value of "Being a Visionary Entrepreneur and a Responsible Doer", and to encourage employees to make continuous breakthroughs and self-innovations.

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 2018, the Group has held a total of 28 "Running in China" events in cities including Wuxi, Kunming, Wuhan, Rongcheng, Dongying, Changchun, Jilin, Xiangyang, Changsha, Nanchang, Nanjing, Shantou and Shenzhen, with three major themes, namely "Beautiful China", "One Belt, One Road" and "Carry the Reform Through to the End". The footprint of such events covered 14 provinces, municipalities and autonomous regions in China, enriching the needs of running enthusiasts for nation-wide fitness. After the upgrade of "Running in China" live broadcasting, the form of live broadcasting has been changed and integrated the history, culture, tourism, outstanding figures and on-site interaction of the host city, fully demonstrated the comprehensive management ability of the city and the people's love and support for nation-wide fitness. The audience share reached 16.27% and hit a record high among the China Central Television (CCTV) channels at the same time period.

As the only invited Chinese event operator, the Group participated in the annual meeting of the International Association of Athletics Federations (IAAF), laying a foundation for future international cooperation. At the same time, the Group cooperated with Belgrade Marathon in Serbia to operate "One Belt, One Road" series events which helps the Group opening up international event cooperation areas, and provides more opportunities for Chinese runners to participate in events overseas.

Through the events, the Group has accumulated a customer base of more than 720 sponsors, covering automotive, financial, insurance, real estate, aviation, cosmetics, sportswear, drinks and other industries. There have been more than 30% of customers keeping long-term cooperation with the Group, including FAW – Volkswagen, Nongfu Spring, Xiamen Xtep, Ping An Insurance. The Group's customer base covers the world's top 500 and China's top 500 enterprises and new customers including China Communications Construction, FAW Hongqi, BMW, Sunshine Life Insurance, Dali Foods and other high-quality customers.

In the sponsorship service area, the Group upgraded the system based on existing services to strengthen its relationship with customers in its traditionally dominant areas and provided them with comprehensive cooperation services. This established a mode of annual multi-event strategic cooperation with such customers which is conducive to gaining continuous popularity and promotion of sponsored brands, and in turn forming the good reputation of the Group in the industry. In 2018, the Group organised customised events for customers according to their needs, such as "KFC Meet Your Love by Running" project. The Group effectively disseminated such projects online and offline, meeting the direct needs of the sponsors for customer base and the Group received high praise from the sponsors who expressed the intention to establish a long term cooperation with the Group.

In 2018, among the city marathon events held by the Group, eight events were named gold medal events, three events were named silver medal events, four events were named bronze medal events and five events were rated as unique marathon events by the Chinese Athletic Association.

II. Sports Services

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

Through the acquisition of First AI, the Group further enriched its event live broadcasting and consumer-end services. In the field of live broadcasting, in addition to the "Running in China" events, First AI completed live television and network broadcasting of 17 other marathon events, and more than 90 other events, such as basketball and table tennis, enriching the scope and type of events of the Group's live broadcasting, as well as laying a foundation for the Group to further serve different types of governmental events.

In the second half of 2018, the Group tried to expand its business to overseas sports and tourism sector to meet the needs of runners for participating in international events, and provided a one-stop "registration+journey" service. By the end of the year, it had provided services to more than 2,000 runners for more than 30 overseas marathon events in Hong Kong, Chicago, London, Tokyo, Prague, etc.

The innovative event series, such as "Meet Your Love by Running" and "Hundred Runner Groups Running Hundred Marathons" established by the Group not only further promoted the landing and dissemination of marathon events, but also provided more running opportunities for the vast number of runner groups and runners. In addition to running, it also provides social functions and met the needs of runners for more spiritual satisfaction and sense of happiness in the course of running. During the Shenzhen marathon, the "Reform and Opening up Peers" running group initiated and organised by the Group witnessed the changes brought by the reform of China and won unanimous praise from runners.

"Serving the runners in their shoes". In 2018, the Group deeply and closely engaged with 390 runner groups around China to interact with runners and understand their needs. The Group held 55 runner exchange forums and nearly 300 runner groups participated. In order to further strengthen the interaction and exchange among runners, the Group established the WeChat Customer Service and Consulting System to provide 24/7 services to answer the questions of runners. This indicates that the Group is truly focused on runners. In addition, the Group vigorously launched public welfare undertakings and established four Wisdom Sports public welfare libraries for which runners have donated more than 12,000 books and more than RMB100,000-worth of running shoes, learning supplies, etc.

Outlook of the Industry and the Group

In January 2018, 11 departments including General Administration of Sports of China and National Development and Reform Commission jointly issued the *Marathon Sports Industry Development Plan* (hereinafter referred to as the "**Plan**"). The Plan predicts that by 2020, the number of national marathon events (with more than 800 participants) will reach 1,900; the number of participants in all kinds of distance races will exceed 10 million, and that the marathon sports industry scale will reach RMB120 billion. In December 2018, the General Office of the State Council issued the *Guiding Opinions on Accelerating the Development of Sports Competition and Performance Industry,* which mentioned that the total scale of sports competition and performance industry will reach RMB2 trillion by 2025 and that "innovate the organisational methods of amateur sports events organised by social forces to hold marathons, martial arts, fighting, bicycles, outdoor sports, aviation sports, extreme sports events, etc." The Chinese Athletic Association issued *2018 Annual Report on China's Marathon Events*, according to which, for the year 2018, China has held 1,581 large-scale marathon and related sports events (events with more than 800 runners in road running events and more than 300 runners in cross country running events), among which, 339 events were certified by the Chinese Athletic Association, while the rest 1,242 events were not. There were a total of 5.83 million count of runners participating in such events, among which, 1.9205 million runners were from a different prefecture, accounting for 32.34% of the total count of runners. In 2018, the total annual consumption of China's marathon events reached RMB17.8 billion, while the annual consumption driven by marathon events reached RMB28.8 billion. The whole industry witnessed a total annual output of RMB74.6 billion, representing an increase of 7% compared with last year. Marathon events have strongly promoted the development of nation-wide fitness, and also highlighted that marathon has become one of the important factors in nation-wide fitness.

2019 provides the Group with opportunity to make a further progress by continue to integrate resources. The Group will continue to develop representative city marathon events including "Running in China", "Smart Marathon" and "One Belt, One Road", and introduce new events for nation-wide fitness, including city orienteering and badminton competition, to meet the diversified consumption demand among the fitness public.

In 2019, the Group will further focus on expanding its "Sports+Technology" area and commercialise the operation of its marathon event management platform which has become mature such that it will not only serve marathon events, but also serve as a scientific management platform for large events and activities of the governments at all levels. The Group will further upgrade its services in consumer-end areas by, continue to expand the development of sports and tourism projects, and crossover cooperation with other fields such as sports insurance, health examination and sports cosmetics. The Group will further establish a runner group service system, providing services for more runner groups and enhancing the ability to serve runners in order to meet the service needs for side-line products of running and establishing a runner membership system.

The Group will continue to focus on the "Sports+" strategy, establishing an extended industry chain and expanding its operation scale and customer base based on the current foundation while continuing to operate traditional competition events to upgrade itself into a company of consumer industry with sports-based consumer bases.

FINANCIAL REVIEW

In the Reporting 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, media companies and marathon participants in conjunction with sports-related competitions. Types of revenue include events organisation income, events video production and individual consumption; and (c) Advertising Program and Branding: providing services of advertising. Its revenue includes advertising income.

Revenue

The Group's revenue increased by approximately 22.6% to RMB455.4 million for the year ended 31 December 2018 from RMB371.5 million for the year ended 31 December 2017. Details based on reportable segments are as follows:

- revenue from Events Operation and Marketing decreased by approximately 30.4% to RMB179.4 million for the year ended 31 December 2018 from RMB257.9 million for the year ended 31 December 2017. The decrease was mainly due to the decrease in sponsorship revenue as a result of raising the criteria when choosing sponsors;

- revenue of Sports Services increased by approximately 68.8% to RMB191.7 million for the year ended 31 December 2018 from RMB113.6 million for the year ended 31 December 2017. The growth was mainly due to the increase in the number of marathon events operated; and

- revenue from Advertising Program and Branding was RMB84.3 million for the year ended 31 December 2018, compared to RMB Nil for the year ended 31 December 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 advertising resources accumulated over previous years by the Group to generate revenue in the current period.

Cost of Services

The Group's cost of services increased by approximately 36.8% to RMB329.5 million for the year ended 31 December 2018 from RMB240.8 million for the year ended 31 December 2017. Details of such increase are as follows:

- cost of Events Operation and Marketing decreased by approximately 14.5% to RMB153.5 million for the year ended 31 December 2018 from RMB179.6 million for the year ended 31 December 2017. The decrease was mainly due to economy of scale after the acquisition of suppliers, resulting decrease in the operating costs of the events;

- cost of Sports Services increased by approximately 45.0% to RMB88.9 million for the year ended 31 December 2018 from RMB61.3 million for the year ended 31 December 2017. The increase was mainly due to the increase in the number of marathon events operated; and

- cost of Advertising Program and Branding was RMB87.2 million for the year ended 31 December 2018 as compared to RMB Nil for the year ended 31 December 2017. The change mainly resulted from the costs of the use of advertising resources accumulated from previous years by the Group in the current period.

Gross Profit and Gross Margin

As a result of the aforementioned factors, the Group's gross profit decreased by approximately 3.7% to RMB125.8 million for the year ended 31 December 2018 from RMB130.6 million for the year ended 31 December 2017. The gross margin decreased to approximately 27.6% for the year ended 31 December 2018 from 35.2% for the year ended 31 December 2017. The reduction of the gross profit was mainly due to: (i) the decrease in the gross profit of Events Operation and Marketing; and (ii) the decrease in the gross profit of Advertising Program and Branding. The decrease in the gross margin was mainly due to the decrease in the gross margin of Advertising Program and Branding. 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 decreased by approximately 66.9% to RMB25.9 million for the year ended 31 December 2018 from RMB78.3 million for the year ended 31 December 2017 while the gross margin decreased to 14.4% for the year ended 31 December 2018 from 30.4% for the year ended 31 December 2017;

- as a result of the foregoing changes in revenue and cost of services of Sports Services, the gross profit for Sports Services increased by approximately 96.6% to RMB102.8 million for the year ended 31 December 2018 from RMB52.3 million for the year ended 31 December 2017 while the gross margin increased to 53.6% for the year ended 31 December 2018 from 46.0% for the year ended 31 December 2017; 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 RMB2.9 million for the year ended 31 December 2018 from RMB Nil for the year ended 31 December 2017. The gross loss margin increased to 3.4% for the year ended 31 December 2018 from 0% for the year ended 31 December 2017.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by approximately 44.5% to RMB13.6 million for the year ended 31 December 2018 from RMB24.5 million for the year ended 31 December 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 increased by approximately 11.2% to RMB56.8 million for the year ended 31 December 2018 from RMB51.1 million for the year ended 31 December 2017. This increase was mainly due to the acquisition of SDDA and First AI.

Other Income

The Group's other income increased by approximately 237.2% to RMB88.0 million for the year ended 31 December 2018 from RMB26.1 million for the year ended 31 December 2017. The increase was mainly due to the increase in the income generated from the share compensation received from SDDA under an early settlement agreed between the Group and SDDA.

Other Losses

The Group's other losses decreased by approximately 4.5% to net losses of RMB8.4 million for the year ended 31 December 2018 from the net losses of RMB8.8 million for the year ended 31 December 2017.

Profit before Income Tax

As a result of the foregoing, the Group's profit before tax increased by approximately 76.4% to RMB119.4 million for the year ended 31 December 2018 from RMB67.7 million for the year ended 31 December 2017.

Income Tax Expense

The Group's income tax expense increased by approximately 89.9% to RMB67.4 million for the year ended 31 December 2018 from RMB35.5 million for the year ended 31 December 2017. The increase was mainly due to the income tax expenses provided by the Group for share compensation received from SDDA during the period, and the withholding tax provided for the dividends paid to a foreign-registered subsidiary by a subsidiary of the Group in China.

Profit Attributable to Owners of the Company

As a result of the foregoing, the profit attributable to owners of the Company decreased by approximately 54.3% to RMB46.4 million for the year ended 31 December 2018 from RMB101.6 million for the year ended 31 December 2017. The decrease was mainly due to the gain on disposal of discontinued operations in 2017.

Cash Position

As at 31 December 2018, the Group's cash and cash equivalents amounted to approximately RMB417.4 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 18.0% to RMB791.9 million as at 31 December 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 additions on the acquisition of property, plant and equipment amounted to RMB10.5 million for the year ended 31 December 2018 (year ended 31 December 2017: RMB1.0 million). The increase was mainly due to the acquisition of SDDA and First AI.

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 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. 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 year ended 31 December 2018.

CHARGE ON ASSETS

As at 31 December 2018, there was no charge on the Group's assets.

CONTINGENT LIABILITIES

As at 31 December 2018, the Company has contingent liabilities of RMB1.9 million (2017: Nil) relating to several litigation and arbitration matters undergoing in the PRC about service requisitions and labour disputes. The Directors are of the opinion that the ultimate liability, if any, would not be material to the Group's financial position given that claims are contested with uncertain final outcome of proceedings.

DIVIDENDS

The Board has proposed payment of a final dividend of RMB0.062 per share for the year ended 31 December 2018 to the shareholders. Subject to the approval by the shareholders at the annual general meeting (the "**AGM**") of the Company to be held on Friday, 28 June 2019, the proposed final dividend is expected to be paid on Thursday, 25 July 2019 to shareholders, whose names appear on the register of members of the Company on Tuesday, 16 July 2019, in Hong Kong dollars at the spot rate published by The People's Bank of China on Tuesday, 16 July 2019. The Company did not declare payment of an interim dividend for the six months ended 30 June 2018.

CLOSURE OF REGISTER OF MEMBERS

The AGM is expected to be held on Friday, 28 June 2019. In order to determine the shareholders who will be qualified for attending and voting at the AGM, the register of members of the Company will be closed from Tuesday, 25 June 2019 to Friday, 28 June 2019, both days inclusive. To be eligible to attend and vote at the AGM, all completed transfer documents together with the relevant share certificate(s) must be lodged with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 24 June 2019 for registration.

The record date for entitlement of the proposed final dividend is Tuesday, 16 July 2019. For determining the entitlement to the proposed final dividend (if approved at the AGM), the register of members of the Company will be closed from Friday, 12 July 2019 to Tuesday, 16 July 2019, both days inclusive. During such period, no share transfers will be effected. In order to qualify for the proposed final dividend, if approved at the AGM, all transfer documents together with the relevant share certificate(s) must be lodged with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 11 July 2019.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

CORPORATE GOVERNANCE CODE

The Company has adopted 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**") as its corporate governance code of practice.

The Board is of the view that for the year ended 31 December 2018, the Company has complied with the code provisions set out in the CG Code, save and except for code provision A.2.1, details of which 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.

The Board meets regularly to consider major matters affecting the operations of the Group while Ms. Ren Wen is mainly responsible for the implementation of the strategic layout 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 as the Directors and the senior management perform separate duties to assist the chairlady and the president. The Board considers that this structure ensures an effective operation of the Group by exercising consolidated and consistent leadership.

The Company nevertheless understands the importance of compliance with the code provision A.2.1 of the CG Code and will continue to review the structure from time to time and consider separating the roles of chairman and president to be held by different individuals as and when appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquiry with all Directors, each of the Directors confirmed that he/she has complied with the Model Code throughout the year ended 31 December 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 for the year ended 31 December 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 in compliance with the code provision C.3 of the CG Code for the purpose of reviewing the financial information and providing supervision on the financial reporting system and the review of the risk management and internal control systems as well as the effectiveness of the internal audit function of the Group.

As at the date of this announcement, 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.

The Audit Committee met with the external auditor of the Company to discuss the review process and accounting issues of the Company. The Audit Committee, together with management of the Company, has reviewed the audited consolidated financial results of the Group for the year ended 31 December 2018 and considers that the results are in compliance with generally accepted accounting principles as well as the applicable laws and regulations.

AUDITOR

RSM Hong Kong was appointed as the auditor of the Company subsequent to the resignation of Deloitte Touche Tohmatsu on 15 February 2018 and has acted as the auditor of the Company for the year ended 31 December 2018. The consolidated financial statements of the Group for the year ended 31 December 2018 had been audited by RSM Hong Kong.

RSM Hong Kong shall retire at the forthcoming AGM and a resolution for the re-appointment of RSM Hong Kong as auditor of the Company is expected to be proposed at the AGM.

CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the Reporting Period, certain of which are relevant to the Groups' consolidated financial statements for the year ended 31 December 2018. For details, please refer to Note 3 to the consolidated financial statements in this announcement.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the Reporting Period, Jiangxi Wisdom Sports Culture Co., Ltd.* (江西維世德體育文化有限公司) ("**Jiangxi Wisdom**"), a wholly-owned subsidiary of the Company, entered into a limited partnership agreement with U.S.-China Green Fund Management (Beijing) Co., Ltd.* (中美綠色基金管理(北京)有限公司) on 11 January 2019 to subscribe the investment of RMB50 million in Beijing U.S.-China Green Fund Investment Center (Limited Partnership)* (北京中美綠色投資中心(有限合夥)) ("**U.S.-China Green Fund**"), the investment scope of which includes green energy, energy saving and environmental protection, medical and health care, consumption upgrading, green building and other related industries. Upon completion of the subscription of the investment in U.S.-China Green Fund by Jiangxi Wisdom, Jiangxi Wisdom would become one of the limited partners of U.S.-China Green Fund. This transaction constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules. For details, please refer to the announcement of the Company dated 11 January 2019. Save as disclosed in this announcement, there is no occurrence of events that had a significant impact on the Group's operation, financial and trading prospects since 31 December 2018 and up to the date of this announcement which the Board is aware of.

PUBLIC FLOAT

Based on the information that is available to the Company and to the best knowledge and belief of the Board, the Company has maintained at least 25% of the Company's total number of issued shares held by the public throughout the year ended 31 December 2018 and up to the date of this announcement.

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

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.wisdomsports.com.cn), and the 2018 Annual Report of the Company, containing all the information required by the Listing Rules, will be dispatched to the shareholders of the Company and published on the 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, 29 March 2019

As at the date of this announcement, the executive directors of the Company are Ms. Ren Wen, Mr. Sheng Jie, 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.

* *for identification purpose only*