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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 2019

FINANCIAL HIGHLIGHTS

The board (the "**Board**") of 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 2019, together with the comparative figures for the corresponding period in 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Note	**Six months ended 30 June** **2019** ***RMB'000*** **(unaudited)**	2018 *RMB'000* (unaudited)
Revenue	*4*	**43,527**	148,726
Cost of services		**(70,595)**	(92,136)
Gross (loss)/profit		**(27,068)**	56,590
Other income	*5*	**9,599**	71,325
Other losses	*6*	**(256,253)**	(3,347)
Selling and distribution expenses		**(13,173)**	(5,911)
General and administrative expenses		**(31,336)**	(18,117)
(Loss)/profit from operations		**(318,231)**	100,540
Finance costs		**(29)**	–
Share of results of associates		**(1,401)**	(10,073)
(Loss)/profit before tax		**(319,661)**	90,467
Income tax credit/(expense)	*8*	**24,719**	(44,406)
(Loss)/profit for the period	*9*	**(294,942)**	46,061
Attributable to:			
Owners of the Company		**(270,703)**	46,061
Non-controlling interests		**(24,239)**	–
		(294,942)	46,061

	Note	Six months ended 30 June	
		2019	2018
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Financial assets at fair value through other comprehensive income – net movement in fair value reserve		**10,845**	(9,932)
Other comprehensive income for the period, net of tax		**10,845**	(9,932)
Total comprehensive income for the period		**(284,097)**	36,129
Attributable to:			
Owners of the Company		**(259,858)**	36,129
Non-controlling interests		**(24,239)**	–
		(284,097)	36,129
(Losses)/earnings per share attributable to owners of the Company	*11*		
Basic and diluted		**RMB(0.17)**	RMB0.03

Note:

The Group has initially applied HKFRS 16 at 1 January 2019 under the modified retrospective approach with no restatement on the comparative information in the condensed consolidated statement of profit or loss and other comprehensive income. Details of changes in accounting policies are disclosed in note 3 to this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2019

	Note	**30 June 2019** *RMB'000* **(unaudited)**	31 December 2018 *RMB'000* (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**23,579**	25,695
Right-of-use assets		**16,456**	–
Investment properties		**16,322**	16,952
Goodwill		**34,961**	191,584
Intangible assets		**1,206**	98,532
Financial assets at fair value through other comprehensive income		**91,285**	29,510
Investments in associates		**15,245**	19,820
Deferred tax assets		**6,171**	5,116
Other non-current assets		**55,270**	15,365
Total non-current assets		**260,495**	402,574
Current assets			
Inventories		**3,177**	4,124
Financial assets at fair value through profit or loss		**48,646**	60,344
Trade receivables	*12*	**48,274**	147,781
Other receivables		**228,701**	223,715
Prepayments and other current assets		**58,833**	51,526
Cash and cash equivalents		**308,248**	417,355
Total current assets		**695,879**	904,845
TOTAL ASSETS		**956,374**	1,307,419

	Note	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**2,454**	2,454
Reserves		**872,118**	1,131,928
		874,572	1,134,382
Non-controlling interests		**12,345**	36,584
TOTAL EQUITY		**886,917**	1,170,966
LIABILITIES			
Non-current liabilities			
Lease liabilities		**8,248**	–
Deferred tax liability		**–**	23,535
		8,248	23,535
Current liabilities			
Trade payables	*13*	**25,326**	67,454
Other payables and accrued expenses		**6,995**	15,939
Contract liabilities		**493**	2,650
Lease liabilities		**7,906**	–
Income tax payables		**20,489**	26,875
Total current liabilities		**61,209**	112,918
TOTAL LIABILITIES		**69,457**	136,453
TOTAL EQUITY AND LIABILITIES		**956,374**	1,307,419
NET CURRENT ASSETS		**634,670**	791,927

Note: The Group has initially applied HKFRS 16 at 1 January 2019 under the modified retrospective approach with no restatement on the comparative information in the condensed consolidated statement of financial position. 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 Building 5, Jingxin Building* (京信大廈), No. A2, Dong San Huan Bei Lu, 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 2019.

This interim financial information should be read in conjunction with the 2018 annual financial statements, which were prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") (including all HKFRSs, HKASs and Interpretations). The accounting policies (including the critical judgements made by the Directors in applying the Group's accounting policies and the key sources of estimation uncertainty) 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 2018 except as stated in note 3 to this interim financial information below.

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

The HKICPA has issued HKFRS 16 *Leases* and a number of amendments to HKFRSs that are first effective from 1 January 2019.

Except for HKFRS 16 being initially adopted by the Group from 1 January 2019, other developments effective from 1 January 2019 do not have a material effect on this interim financial information. The Group has not early adopted any new standard or interpretation that is not effective for the current interim period.

HKFRS 16 *Leases*

HKFRS 16 supersedes HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an arrangement contains a lease*, HK(SIC)-Int 15 *Operating leases – incentives* and HKSIC-Int 27 *Evaluating the substance of transactions involving the legal form of a lease*. HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

Lessor accounting under HKFRS 16 is substantially unchanged under HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

The Group has applied HKFRS 16 using the modified retrospective approach to operating lease commitment that existed at 1 January 2019 in accordance with the transition requirements. Comparative information has not been restated and continues to be reported under HKAS 17. The details of the changes in accounting policies are disclosed below.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under HK(IFRIC)-Int 4. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(b) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for leases with remaining lease terms of less than 12 months from 31 December 2018. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The recognised right-of-use assets relate to the following types of assets:

	1 January 2019
	RMB'000
Total right-of-use assets – office premises	**20,183**

Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments payable across the lease period, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Transition

Previously, the Group classified property leases as operating leases under HKAS 17.

At transition, for leases classified as operating leases under HKAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, and discounted using the lessee's incremental borrowing rate at the date of initial application.

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17.

– Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

– Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

– Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(c) As a lessor

The Group leases out its investment properties. The Group has classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor are not different from those under HKAS 17. The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor. However, the Group has applied HKFRS 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

(d) Impacts of financial statements

Impact on transition

On transition to HKFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities. The impact on transition as at 1 January 2019 is summarised below.

	At 31 December 2018 *RMB'000*	Impact on initial application of HKFRS 16 *RMB'000*	**At 1 January 2019** ***RMB'000***
Non-current assets			
Right-of-use assets	–	20,183	**20,183**
Current assets			
Prepayments and other current assets	51,526	(90)	**51,436**
Non-current liabilities			
Lease liabilities	–	(11,948)	**(11,948)**
Current liabilities			
Lease liabilities	–	(8,145)	**(8,145)**

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate with the weighted-average rate of 6.37% at 1 January 2019.

	1 January 2019
	RMB'000
Operating lease commitment as at 31 December 2018 under HKAS 17	**23,680**
Less: Recognition exemption for leases with remaining lease terms of less than 12 months from 31 December 2018	**(112)**
Less: Exclusion of value-added taxes for properties located in the PRC	**(2,100)**
Adjusted operating lease commitment as at 31 December 2018 under HKAS 17	**21,468**
Less: Prepayment in relations to a lease to be recognised as right-of-use assets as at 31 December 2018 under HKFRS 16	**(90)**
Less: Total future interest expenses under HKFRS 16	**(1,285)**
Lease liabilities recognised as at 1 January 2019 under HKFRS 16	**20,093**
Representing:	
Non-current lease liabilities	**11,948**
Current lease liabilities	**8,145**
	20,093

Impacts for the period

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases under HKAS 17, the Group recognised right-of-use assets of RMB16,456,000 and lease liabilities of RMB16,154,000 as at 30 June 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation and finance costs, instead of operating lease charges. During the six months ended 30 June 2019, the Group recognised depreciation charges of RMB4,167,000 and finance costs of RMB29,000 from these leases.

4. REVENUE

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Events sponsorship income	**8,295**	62,541
Sports services income	**35,232**	57,646
Advertising income	**–**	28,539
	43,527	148,726

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Timing of revenue recognition		
– At a point in time	**43,527**	120,187
– Over time	**–**	28,539
	43,527	148,726

Revenue recognised at a point in time for the six months ended 30 June 2019 and 2018 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 for the six months ended 30 June 2018 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.

5. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest income from treasury products *(note (a))*	**4,910**	6,055
Interest income from loans to companies	**2,035**	1,786
Interest income from fund investment in a partnership	**2,000**	2,000
Interest income from short-term bank deposits	**345**	3,164
Government grants *(note (b))*	**–**	1,823
Rental income	**307**	209
Share compensation from investment in an associate	**–**	56,288
Others	**2**	–
	9,599	71,325

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 2.7% to 6.1% per annum.

(b) The Group benefited from government grants in the form of tax refund from governmental bodies of Fuzhou, Jiangxi Province for the six months ended 30 June 2018 as a result of their contribution for developing the cultural and media industry in the city.

6. OTHER LOSSES

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Allowance for impairment of trade receivables	**(4,218)**	(144)
Reversal of allowance for impairment of other receivables	**3,563**	33
Exchange gains/(losses)	**77**	(63)
Fair value loss on financial assets at fair value through profit or loss	**(11,917)**	–
Loss on disposal of financial assets at fair value through profit or loss	**(2,719)**	–
Impairment of intangible assets	**(826)**	–
Impairment of investment in an associate	**(174)**	–
Impairment of goodwill	**(156,623)**	–
Loss on disposals of property, plant and equipment	**(24)**	(98)
Remeasurement of pre-existing interest in an associate for step acquisition	**–**	(3,072)
Write-off of an operating right under intangible assets	**(84,552)**	–
Others	**1,160**	(3)
	(256,253)	(3,347)

7. 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 Group's operating and reportable segments are as follows:

Events Operation and Marketing	Providing mainly marketing services in conjunction with sports-related competitions. Type of revenue includes mainly corporate sponsorship income.
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 income, technical support income and individual consumption income.
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 (loss)/profit of each segment without allocation of selling and distribution expenses, general and administrative expenses, finance costs, other income, other losses, share of results of associates and income tax credit/(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 (losses)/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 2019 and 2018 is as follows:

Six months ended 30 June 2019

	Events Operation and Marketing *RMB'000* **(unaudited)**	**Sports Services** *RMB'000* **(unaudited)**	**Advertising Program and Branding** *RMB'000* **(unaudited)**	**Total** *RMB'000* **(unaudited)**
Revenue	**8,295**	**35,232**	**–**	**43,527**
Cost of services	**(33,801)**	**(36,794)**	**–**	**(70,595)**
Segment results	**(25,506)**	**(1,562)**	**–**	**(27,068)**
Other income				**9,599**
Other losses				**(256,253)**
Selling and distribution expenses				**(13,173)**
General and administrative expenses				**(31,336)**
Finance costs				**(29)**
Share of results of associates				**(1,401)**
Income tax credit				**24,719**
Loss for the period				**(294,942)**

Six months ended 30 June 2018

	Events Operation and Marketing *RMB'000* (unaudited)	Sports Services *RMB'000* (unaudited)	Advertising Program and Branding *RMB'000* (unaudited)	Total *RMB'000* (unaudited)
Revenue	62,541	57,646	28,539	148,726
Cost of services	(32,837)	(29,926)	(29,373)	(92,136)
Segment results	29,704	27,720	(834)	56,590
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				(44,406)
Profit for the period				46,061

8. INCOME TAX CREDIT/(EXPENSE)

Income tax has been recognised in profit or loss as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax	**130**	(44,442)
Deferred tax	**24,589**	36
	24,719	(44,406)

No provision for Hong Kong Profits Tax was required since the Group had no assessable profits for the six months ended 30 June 2019 and 2018.

PRC Corporate Income Tax has been provided at a rate of 25% (2018: 25%). According to the PRC law, a subsidiary of the Company in the PRC enjoys beneficial Corporate Income Tax rate.

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.

9. (LOSS)/PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Amortisation of intangible assets	**12,431**	2,976
Cost of inventories utilised	**1,077**	–
Depreciation of investment properties	**630**	629
Depreciation of property, plant and equipment	**2,515**	1,698
Depreciation of right-of-use assets	**4,167**	–
Fair value loss on financial assets at fair value through profit or loss *(note 6)*	**11,917**	–
Loss on disposals of financial assets at fair value through profit or loss *(note 6)*	**2,719**	–
Impairment of intangible assets	**826**	–
Write-off of an operating right under intangible assets	**84,552**	–
Impairment of goodwill	**156,623**	–
Impairment of investment in an associate	**174**	–
Loss on disposals of property, plant and equipment *(note 6)*	**24**	98
Remeasurement of pre-existing interest in an associate for step acquisition	**–**	3,072
Share compensation from investment in an associate	**–**	(56,288)
Staff costs		
– Salaries, bonuses and allowances	**16,811**	9,197
– Retirement benefit scheme contributions	**2,508**	1,425
– Share-based payments	**48**	145
Auditor's remuneration	**–**	900
Allowance for impairment of trade receivables	**4,218**	144
Reversal of allowance for impairment of other receivables	**(3,563)**	(33)

10. DIVIDENDS

On 28 March 2018, the Board proposed a payment of final dividend of RMB0.062 per share, amounting to a total dividend of approximately RMB98,762,000, for the year ended 31 December 2017 to the shareholders whose names appeared on the register of members of the Company on 6 June 2018. Such resolution was then approved by the shareholders of the Company at the annual general meeting held on 29 May 2018 and the dividend was paid on 15 June 2018.

No dividend was proposed, declared or paid in respect of the six months ended 30 June 2019 and 2018.

11. (LOSSES)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
(Losses)/earnings attributable to owners of the Company		
(Losses)/earnings for the purpose of calculating basic and diluted (losses)/earnings per share	**(270,703)**	46,061

	Six months ended 30 June	
	2019	2018
	'000	*'000*
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (losses)/earnings per share	**1,592,942**	1,592,942

The computation of diluted (losses)/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 2019 and 2018.

12. TRADE RECEIVABLES

	30 June	31 December
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**84,968**	180,757
Allowance for impairment of trade receivables	**(36,694)**	(32,976)
	48,274	147,781

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

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 1 month	**8,780**	63,704
1 to 3 months	**3,351**	26,761
4 to 6 months	**630**	42,210
7 to 12 months	**29,391**	9,142
1 to 2 years	**5,434**	5,349
Over 2 years	**688**	615
	48,274	147,781

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

13. TRADE PAYABLES

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**25,326**	67,454

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 2019	31 December 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 1 month	**9,346**	28,381
1 to 3 months	**7,182**	23,560
4 to 6 months	**489**	1,217
7 to 12 months	**2,274**	7,464
Over 12 months	**6,035**	6,832
	25,326	67,454

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

MANAGEMENT DISCUSSION AND ANALYSIS

Group Overview

As a professional sports events operator in China, the Group has been focusing on organizing marathon road running events for years and had held more than 200 city marathons, accumulating extensive experience in sports events operations. In the first half of 2019, with the slowdown in the economic growth in China and the fierce competition in the evolving and surging marathon market, the Group further refined its overall strategy with the focus on acquiring profitable road running events, as well as deepening the industrial upgrading from sports events operation to the sports and health consumption sector by relying on the data on sports and health obtained over the years. The new round of strategic upgrade will focus on the three core strategies of "high frequency", "intelligence" and "living", to build a mass consumption platform in the fields of sports and health, and lead the era of mass consumption in national fitness, so as to provide more diversified and professional sports services to consumers.

In light of the current market situation and according to the future strategic plan of the Group, the Group readjusted its internal management structure during the first half of the year. In response to the short-term business distress caused by the decrease of sporting events, the Group carried out comprehensive personnel optimisation and cost control, and improved its capacities and bode its time alongside streamlining its structure, so as to go forward with its burdens discarded and walk out of the performance turmoil as soon as possible. Meanwhile, the Group increased its investment in the crossing field along the sports industry chain to create an incremental market for sports consumption, laying a good foundation for the subsequent launch of consumption products.

BUSINESS REVIEW

I. Events Operation and Marketing

The 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.

During the first half of the year, the Group continued to expand its events operation business and had independently organised the Rongcheng Marathon* and the Jilin City Marathon*. The Group also jointly organised the Tianjin Marathon* and the Qingdao Marathon* with other operators and has obtained the right to operate the Jinan Marathon* in the next three years through a tendering procedure.

In the course of the events operation, in order to further improve the standard of the events and the Group's service quality, the Group implemented the "event supervision" system for the first time in the 2019 Jilin City Marathon*, under which the Group deployed event supervisors at the marathon expo, the starting and finishing points of the race, the half-marathon finishing point, the finishing point of the mini-special running race and the package distribution area, with a view to resolving all kinds of problems and queries for the runners on site. The system was praised by the runners and also established a good standard model for further improvement of marathon operation in China.

For the marketing segment, the Group acquired new customers from the smart technology sector and environmental protection sector, and established comprehensive strategic cooperation with customers in the netcasting industry.

Among the city marathon events held by the Group in 2018, three events were named model events by the International Association of Athletics Federations. The Shenzhen Marathon* was named an international gold medal event, whereas the Changsha Marathon* and the Nanchang Marathon* were named the international bronze medal events, respectively.

II. Sports Services

The Sports Services segment is a vital component of the Group's strategic positioning and generates revenue from the government and users through the provision of sports service products. Its main feature 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.

The Group has accumulated a base of runner groups from major cities across the country through its years of operation. As at June 2019, the Group has connected with nearly 3,000 runner groups in 33 provinces and cities nationwide, covering nearly one million runners. The Group actively conducts interactive activities with the runner groups to maintain the activeness of and cohesion among these runner groups. The Group successively organised a series of activities together with the runner groups, such as the "Runner Groups Family Competition"*, "Jilin City Marathon Runner Groups Preheating Run"*, "Runner Groups Style Show"*, "Professional Training Course Experience"* and "Evaluation on Posting of Running Track"*, which had attracted the enthusiastic participation of a vast number of runners.

The Group further enriched its live sports broadcasting service. In addition to the broadcasting of marathon events, the Group also completed more than 50 television and internet broadcasts of other types of events such as basketball, football, volleyball, table tennis and badminton. During the Jilin City Marathon*, the Group broadcasted the marathon on three major television channels in the Jilin Province, namely, Jilin Satellite Television*, Jilin Television Public Channel* and Jilin City Television Public Channel*, and also supported live broadcasts on Toutiao, Xinhua News Agency, iQIYI, Youku, Baidu, China.com.cn, Yibo.com, Huajiao.com, Kuaishou and other online platforms, thereby creating a new model of live broadcast of sports.

During the first half of the year, the Group continued to vigorously develop its sports and tourism business. In particular, the Group established contacts and cooperated with nearly 100 foreign event organizing committees and their travel agencies, and launched more than 50 marathon events and hundreds of sports and tourism products. The Group provided its services to hundreds of people, in particular, the one-stop service for Chinese runners, which includes application for sports events registration, visa, flight ticket, airport pick-up and drop-off, hotel reservation, sightseeing bus tour or self-driving tour, dinner, travel itinerary and so on, to solve the series of problems that Chinese runners may encounter when attending marathons and travelling to overseas destinations. The Group's services for runners included one-to-one individual services, and other forms of services such as the runner groups services and corporate team building. The Group successfully assisted 70 Chinese runners to participate in the 2019 Belgrade Marathon, the overseas event of "One Belt, One Road" marathon series, which created a record for the event, and had great influence and attracted media attention locally.

OUTLOOK OF THE INDUSTRY AND THE GROUP

In the second half of the year, the Group will continue to expand and develop its business in accordance with the established strategic layout and focus on the three core strategies of "high frequency", "intelligence" and "living".

The second half of the year is the peak season for major marathon events. The Group will continue to independently operate major city marathon events in the second half of the year, including the Changsha Marathon*, Xiangyang Marathon*, Nanchang Marathon*, Jinan Marathon*, Dongguan Marathon* and events in other provincial capitals and first-tier cities, while the operating right to Shenzhen Mararthon* is in the process of renewal. Targeting the self-operated major marathon events, the Group will assist various runner groups to actively participate in the preheating activities of the events, and carry out "runner groups preheating race", "runner groups competitions" and other activities, in order to increase the influence and brand value of these events. At the same time, the Group will organise a series of activities such as small to medium-scale road running events, national fitness activities, "reward survey"* and "word-of-mouth selection"* for the runners to accumulate data for the consumer-end development of healthy living and mass consumption.

The Group has expanded its business into the health drinks and sports foods sectors through cooperation in product development and cooperative sales, and has promoted and applied such products in the events organised by the Group. The Group will continue to introduce new products according to the needs of different people in order to develop a health and nutrition product portfolio. By investing in an insurance actuarial service company, the Group will also be able to provide customised and scenario-based insurance products and physical examination products for the sporting community through big data technology, and thereby enabling the provision of a wide range of products and services for the Group to establish a platform for the sports and health mass consumption sector.

FINANCIAL REVIEW

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

Revenue

The Group's revenue decreased by approximately 70.7% to RMB43.5 million for the six months ended 30 June 2019 from RMB148.7 million for the six months ended 30 June 2018. Details based on reportable segments are as follows:

- Revenue from the Events Operation and Marketing segment decreased by approximately 86.7% to RMB8.3 million for the six months ended 30 June 2019 from RMB62.5 million for the six months ended 30 June 2018. The decrease was mainly due to the decrease in the number of marathon events operated;

- Revenue of the Sports Services segment decreased by approximately 39.0% to RMB35.2 million for the six months ended 30 June 2019 from RMB57.7 million for the six months ended 30 June 2018. The decrease was mainly due to the decrease in the number of marathon events operated; and

- Revenue from the Advertising Program and Branding segment was RMB Nil for the six months ended 30 June 2019, and RMB28.5 million for the six months ended 30 June 2018. The change mainly resulted from the use of the film and television resources accumulated over previous years by the Group to generate revenue in the prior period.

Cost of Services

The Group's cost of services decreased by approximately 23.3% to RMB70.6 million for the six months ended 30 June 2019 from RMB92.1 million for the six months ended 30 June 2018. Details of such decrease are as follows:

- Cost of the Events Operation and Marketing segment increased by approximately 3.0% to RMB33.8 million for the six months ended 30 June 2019 from RMB32.8 million for the six months ended 30 June 2018. The increase was mainly due to the upgrade of events operation quality and standard;

- Cost of the Sports Services segment increased by approximately 23.1% to RMB36.8 million for the six months ended 30 June 2019 from RMB29.9 million for the six months ended 30 June 2018. The increase was mainly due to the increase in cost arising from the amortisation of an operating right to a "Running in China"* marathon event under intangible assets of Beijing Shangde Da'ai Sports Co., Ltd.* ("**SDDA**"), a subsidiary of the Company; and

- Cost of the Advertising Program and Branding segment was RMB Nil for the six months ended 30 June 2019, and RMB29.4 million for the six months ended 30 June 2018. The change mainly resulted from the costs of the use of the film and television resources accumulated over previous years by the Group to generate revenue in the prior period.

Gross Loss and Gross Loss Margin

As a result of the aforementioned factors, the Group recorded a gross loss of RMB27.1 million for the six months ended 30 June 2019 as compared to a gross profit of RMB56.6 million recorded for the six months ended 30 June 2018, representing a change of approximately 147.9% in gross profit. The Group recognised a gross loss margin of approximately 62.3% for the six months ended 30 June 2019 as compared to a gross profit margin of 38.1% for the six months ended 30 June 2018. The change in the gross margin was mainly due to the increase in cost as a result of: (i) the upgrade of events operation quality and standard; and (ii) the amortisation of a "Running in China"* marathon event under intangible assets of SDDA. Details are as follows:

- As a result of the foregoing changes in revenue and cost of services of the Events Operation and Marketing segment, the Group recorded a gross loss for the Events Operation and Marketing segment of RMB25.5 million for the six months ended 30 June 2019 as compared to a gross profit of RMB29.7 million recorded for the six months ended 30 June 2018, representing a change of approximately 185.9% in gross profit. The Group recognised a gross loss margin of 307.2% for the six months ended 30 June 2019 as compared to a gross profit margin of 47.5% for the six months ended 30 June 2018;

- As a result of the foregoing changes in revenue and cost of services of the Sports Services segment, the Group recorded a gross loss for the Sports Services segment of RMB1.6 million for the six months ended 30 June 2019 as compared to a gross profit of RMB27.8 million recorded for the six months ended 30 June 2018, representing a change of approximately 105.8% in gross profit. The Group recognised a gross loss margin of 4.5% for the six months ended 30 June 2019 as compared to a gross profit margin of 48.2% for the six months ended 30 June 2018; and

- As a result of the foregoing changes in revenue and cost of services of the Advertising Program and Branding segment, the Group did not record a gross loss for the Advertising Program and Branding segment for the six months ended 30 June 2019 as compared to a gross loss of RMB0.9 million recorded for the six months ended 30 June 2018. The gross loss margin changed to 0% for the six months ended 30 June 2019 from 3.2% for the six months ended 30 June 2018.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately 123.7% to RMB13.2 million for the six months ended 30 June 2019 from RMB5.9 million for the six months ended 30 June 2018. The increase was mainly due to the increase in promotion and marketing consultancy fee.

General and Administrative Expenses

The Group's general and administrative expenses increased by approximately 72.9% to RMB31.3 million for the six months ended 30 June 2019 from RMB18.1 million for the six months ended 30 June 2018. This increase was mainly due to the expenses from three subsidiaries newly acquired between 30 June 2018 and 23 November 2018.

Other Income

The Group's other income decreased by approximately 86.5% to RMB9.6 million for the six months ended 30 June 2019 from RMB71.3 million for the six months ended 30 June 2018. The decrease was mainly due to the decrease in the income generated from the principal-guaranteed and low risk financial products purchased from reputable commercial banks and the share compensation received from SDDA in the prior period.

Other Losses

The Group's other losses increased by approximately 7,666.7% to net losses of RMB256.3 million for the six months ended 30 June 2019 from the net losses of RMB3.3 million for the six months ended 30 June 2018. The increase in losses was mainly due to: (i) the impairment of the goodwill under the Events Operation and Marketing cash-generating unit ("**CGU**") and the Sports Services CGU, which amounted to RMB156.6 million; and (ii) the write-off of an operating right to a "Running in China"* marathon event with a net carrying amount of RMB84.6 million recognised under intangible assets of SDDA, after coming to a conclusion that the Group will no longer have the right to be the exclusive co-operator of the "Running in China"* marathon events in the future. Please refer to the Company's announcement dated 2 August 2019 for further details on why the Group will no longer have the right to be the exclusive co-operator of the "Running in China"* marathon events in the future.

Loss before Income Tax

As a result of the foregoing, the Group recorded loss before income tax of RMB319.7 million for the six months ended 30 June 2019 as compared to a profit before income tax of RMB90.5 million recorded for the six months ended 30 June 2018, representing a change of approximately 453.3% in profit before income tax.

Income Tax Credit

The Group's income tax credit was RMB24.7 million for the six months ended 30 June 2019 while the income tax expense was RMB44.4 million for the six months ended 30 June 2018. The change was mainly due to the reversal of deferred tax liability upon the write-off of "Running in China"* under intangible assets of SDDA.

Loss Attributable to the Owners of the Company

As a result of the foregoing, the loss attributable to the owners of the Company amounted to RMB270.7 million for the six months ended 30 June 2019 as compared to the profit attributable to the owners of the Company of RMB46.1 million for the six months ended 30 June 2018, representing a change of approximately 687.2% in the profit attributable to the owners of the Company.

Cash Flow

As at 30 June 2019, the Group's cash and cash equivalents amounted to approximately RMB308.2 million as compared to that of approximately RMB417.4 million as at 31 December 2018.

Working Capital

The Group's net current assets decreased by approximately 19.9% to RMB634.7 million as at 30 June 2019 from RMB791.9 million as at 31 December 2018. 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 RMB0.44 million for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB1.9 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 2019.

CHARGE ON ASSETS

As at 30 June 2019, there was no charge on the Group's assets.

CONTINGENT LIABILITIES

As at 30 June 2019, the Company had no material contingent liabilities.

INTERIM DIVIDEND

No interim dividend has been paid or declared by the Company for the six months ended 30 June 2019.

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 2019.

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 2019, 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/chairlady 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 Transactions 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. Specific enquiry has been made with all the Directors and each of the Directors has confirmed that he/she has complied with the Model Code throughout the six months ended 30 June 2019.

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 2019.

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 amended on 31 March 2016 and 20 December 2018 in light of amendments to the Listing Rules.

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.

The interim results of the Group for the six months ended 30 June 2019 are unaudited and have not been reviewed by the external auditor of the Company. The Audit Committee has reviewed together with the Company's management the accounting principles and practices adopted by the Group and financial reporting matters including a review of the unaudited consolidated interim results of the Group for the six months ended 30 June 2019. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

PUBLICATION OF 2019 INTERIM RESULTS AND 2019 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 2019 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 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 purposes only*