WISDOM

WISDOM SPORTS GROUP
智美體育集團

Stock Code:1661

(Incorporated in the Cayman Islands with limited liability)

2018 ANNUAL REPORT

为健康 为快乐

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Corporate Information

EXECUTIVE DIRECTORS

Ms. Ren Wen (also known as Ms. Ren Guozun) (*Chairlady and President*)
Mr. Sheng Jie *(Vice Chairman)*
Mr. Song Hongfei
Ms. Hao Bin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Zhijian
Mr. Ip Kwok On Sammy
Mr. Jin Guoqiang

AUDIT COMMITTEE

Mr. Chen Zhijian (*Chairman*)
Mr. Jin Guoqiang
Mr. Ip Kwok On Sammy

REMUNERATION COMMITTEE

Mr. Jin Guoqiang (*Chairman*)
Mr. Chen Zhijian
Mr. Song Hongfei

NOMINATION COMMITTEE

Ms. Ren Wen *(Chairlady)*
Mr. Ip Kwok On Sammy
Mr. Jin Guoqiang

JOINT COMPANY SECRETARIES

Ms. Hao Bin
Ms. Chan Sau Ling

AUTHORISED REPRESENTATIVES

Ms. Hao Bin
Ms. Chan Sau Ling

COMPANY'S REGISTERED OFFICE

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

COMPANY'S HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN PRC

No. 43, Building B
25 Xiaoyun Road
Chaoyang District
Beijing, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room Nos. 1803-04A
18/F, Kai Tak Commercial Building
317 & 319 Des Voeux Road Central
Hong Kong

AUDITOR

RSM Hong Kong
Certified Public Accountants
29th Floor, Lee Garden Two, 28 Yun Ping Road
Causeway Bay, Hong Kong

HONG KONG LEGAL ADVISERS

King & Wood Mallesons
13th Floor, Gloucester Tower, The Landmark
15 Queen's Road Central
Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

WEBSITE

www.wisdomsports.com.cn

Chairlady's Statement

Dear Shareholders,

2018 marked the fifth year of the listing of the shares (the "**Shares**") of Wisdom Sports Group (the "**Company**" or "**Wisdom**") in Hong Kong. For just five years, Wisdom has developed into the largest marathon operator in China, which demonstrates our efforts and persistence. In 2018, in the context of the new norm of China's economy, Wisdom continued to lead the industry with persistence in staying true to the mission and courage of reform and innovation, and the passionate and pragmatic work style of its industrious people.

With the transformation of the economic structure and industrial upgrading in China, the sports industry, as a development strategy of emerging countries, also shoulders the mission of achieving the "Two Centenary" Goals. With the continuous improvement of people's living standard and the constant pursuit of a better life, an increasing number of people begins to pay attention to their own health and physical fitness. This has brought a big health era, and coupled with the release of the national strategy of "Fitness-for-All", sports have attracted more attention.

Under this premise, Wisdom successfully built and operated a number of road running competition brands such as "Running in China", "Smart Marathon" and "One Belt, One Road", and achieved remarkable results, which aroused the attention of all walks of life. In 2019, Wisdom will upgrade the road running industry in a comprehensive way by focusing on "innovation in theme, standard, technology and promotion". We believe this will bring better event services and experience to governments, sponsors and runners at all levels.

Chairlady's Statement

Under the guidance of the "Sports+" strategy, Wisdom acquired First AI Sports Technology (Shenzhen) Co., Ltd.* (第一智能體育科技(深圳)有限公司) ("**First AI**"). By doing this, it formed the layout of the entire industry chain operation system, and was the first in the industry in China developing a commercial loop of event operation, sports marketing, live broadcast for events and sporting technology. In the future, Wisdom will continue to exert strength in the field of "Sports+", double efforts to enhance its leading position in the industry and expand strategic cooperation in overlapping field, as a way to contribute to the development of the sports industry as always.

The sports industry developed steadily and factionalism has intensified in 2018, it was both an opportunity and a challenge for Wisdom, a player with five years of development in the sports industry. When the tide goes out, only enterprises that are specialised in sports and the industry, and are willing to grow together with the sports industry will survive. Wisdom will continue to consolidate its advantages in the industry, expand the resources of competitive events and innovate to create products and services that meet the needs of users. At the same time, we will control operation risks and implement a sound development strategy. We will continue efforts to promote the construction of a high-efficiency organisation, further improve the assessment mechanism and adopt new incentive mechanism, as a way to maintain the coherence and consistency of the Company's strategy, objective and structure.

As changes in the times are beyond imagination, the survival of the fittest is no longer enough and only those who embrace changes can survive forever. We go public because we refuse to be mediocre. Innovation is the last spirit to lose in all of our work and also the basis for Wisdom to lead the market. In 2019, Wisdom people will work with devotion to the motherland and awe of the market, cooperate with business partners and persist in innovation to strive for progress.

Sports industry in China still lags. As an industry pioneer, Wisdom will develop long-term competitiveness and core advantages, uphold the spirit of entrepreneurship, persist in innovation for growth to write a new chapter of an aspiring market player.

I hereby would like to express my appreciation to all the shareholders of the Company (the "**Shareholders**") for their support and trust, and hope to continue to make progress with you.

Yours faithfully,
Ren Wen
Chairlady

* *For identification purpose only*

Management Discussion and Analysis

GROUP OVERVIEW

As a professional sports event operator in China, the Company and its subsidiaries (collectively, the "**Group**") have held more than 200 marathon events since its inception. 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, the Group announced the list of the 10 employees who will receive shares of listed companies from Wisdom DNA Cultural Fund in recognition of their outstanding contributions to the Group 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.

BUSINESS REVIEW

I. Events Operation and Marketing

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

In 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 year ended 31 December 2018 (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 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.) 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.

* *For identification purpose only*

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 Flows

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.

The table below sets out selected cash flow data from the Group's consolidated statement of cash flows:

	For the year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Net cash generated from operating activities	**52,992**	76,928
Net cash generated from/(used in) investing activities	**137,895**	(190,303)
Net cash used in financing activities	**(98,762)**	(85,608)
Net increase/(decrease) in cash and cash equivalents	**92,125**	(198,983)
Cash and cash equivalents at the beginning of the year	**324,434**	524,450
Effect of foreign exchange rate changes	**796**	(1,033)
Cash and cash equivalents at the end of the year	**417,355**	324,434

Net Cash Generated from Operating Activities

Net cash generated from operating activities amounted to approximately RMB76.9 million for the year ended 31 December 2017, while net cash generated from operating activities amounted to approximately RMB53.0 million for the year ended 31 December 2018. The change was mainly attributable to the income tax paid increased.

Net Cash Generated from/(Used in) Investing Activities

Net cash used in investing activities amounted to approximately RMB190.3 million for the year ended 31 December 2017, while net cash generated from investing activities amounted to approximately RMB137.9 million for the year ended 31 December 2018. The change was mainly attributable to the increase in the net proceeds from disposal of treasury products and increase in interest income from related products during the year.

Net Cash Used in Financing Activities

Net cash used in financing activities increased to approximately RMB98.8 million for the year ended 31 December 2018 from approximately RMB85.6 million for the year ended 31 December 2017. This capital was mainly used in the payment of dividend which was approved in the annual general meeting.

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 annual report, 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 People's Republic of China (the "**PRC**") about service requisitions and labour disputes. The directors of the Company are of the opinion that the ultimate liability, if any, would not be material to the Group's financial position and such claims are contested by the Group with uncertain final outcome of proceedings.

FINANCIAL RATIO

The table below sets forth selected financial ratios of the Group:

Financial Ratios	As at 31 December 2018	2017
Current Ratio	**801.3%**	907.2%
Gearing Ratio	**N/A**	N/A

Notes:

(1) Current ratio represents a ratio of current assets to current liabilities.

(2) Gearing ratio is calculated as net debt (total bank borrowings less cash and cash equivalents) divided by total equity. The gearing ratio is not applicable to the Group as it had no bank borrowings as at 31 December 2017 and 31 December 2018.

SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL OF SUBSIDIARIES, PLAN FOR SIGNIFICANT INVESTMENT OR ACQUISITION OF CAPITAL ASSETS IN THE FUTURE

On 23 November 2018, the Group obtained the entire equity interest of 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**"). 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.

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 annual report, the Company has no other material investment, material acquisition and disposal of subsidiaries during the year ended 31 December 2018 and up to the date of this annual report and, as at the date of this annual report, has no specific plans for material investment or acquisition of material capital asset in the future.

* *For identification purpose only*

Corporate Governance Report

The board (the "**Board**") of directors (the "**Directors**" and each a "**Director**") of the Company is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 December 2018.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to formulate its business strategies and policies, and to enhance its transparency and accountability.

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 (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conducts and affairs of the Company.

The Board is of the view that throughout 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, which states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Details and reasons of such deviation are set out under the subsection headed "Board of Directors – Chairlady and Chief Executive" in this Corporate Governance Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

During the year ended 31 December 2018, the Company 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 for dealing in securities of the Company by the Directors. 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 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.

BOARD OF DIRECTORS

The Board comprises the following Directors:

Executive Directors

Ms. Ren Wen *(Chairlady of the Board and of the Nomination Committee and the president of the Company)*
Mr. Sheng Jie (*Vice Chairman of the Board)*
(Appointed with effect from 2 January 2019)
Mr. Song Hongfei *(Member of the Remuneration Committee)*
Ms. Hao Bin
Mr. Zhang Han *(Vice Chairman of the Board)*
(Ceased to be executive Director and vice chairman of the Board with effect from 2 January 2019)

Independent Non-executive Directors

Mr. Chen Zhijian *(Chairman of the Audit Committee and member of the Remuneration Committee)*
(Appointed with effect from 15 February 2018)
Mr. Ip Kwok On Sammy *(Member of the Audit Committee and the Nomination Committee)*
Mr. Jin Guoqiang *(Chairman of the Remuneration Committee, member of the Audit Committee and the Nomination Committee)*
Mr. Wei Kevin Cheng *(Chairman of the Audit Committee and member of the Remuneration Committee)* *(Ceased to be independent non-executive Director, chairman of the Audit Committee and member of the Remuneration Committee with effect from 15 February 2018)*

Throughout the year ended 31 December 2018, the Board held four meetings**.** The attendance records of the Board meetings are set out under the subsection headed "Attendance Records of Directors and Committee Members" in this Corporate Governance Report.

The biographical information of the Directors is set out in the Directors, Senior Management and Employees section on pages 70 to 72 of this annual report. None of the members of the Board is related to one another.

Chairlady and Chief Executive

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.

Independent Non-executive Directors

During the year ended 31 December 2018, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing not less than one-third of the Board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the factors set out in Rule 3.13 of the Listing Rules. To the best knowledge of each of the Directors after making specific enquiry with each of the independent non-executive Directors, each of the independent non-executive Directors has no cross-directorships or significant links with any of the other Directors. The Company is of the view that all independent non-executive Directors are independent.

Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

In accordance with the Company's Articles of Association, all Directors are subject to retirement by rotation and re-election at an annual general meeting ("**AGM**") at least once every three years. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting after his/her appointment and shall be subject to re-election at such meeting. Any Director appointed as an addition to the Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election at that meeting.

For details of the service contracts and appointment contracts of our Directors, please refer to the subsection headed "Directors' Contracts" in the Directors' Report of this annual report.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board takes decisions objectively in the interests of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision of all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management committee (經營管理委員會).

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Continuous Professional Development of Directors

The Directors understand their responsibilities as a Director and keep abreast of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2018, the Directors have participated in continuous professional development by attending seminars, in-house briefings or reading materials on the following topics to develop and refresh their knowledge and skills:

Directors	**Topics of training covered**
Executive Directors	
Ms. Ren Wen	C,R,F,I
Mr. Zhang Han[1]	C,R,I
Mr. Sheng Jie[1]	N/A
Mr. Song Hongfei	C,R,I
Ms. Hao Bin	C,R,F,I
Independent Non-executive Directors	
Mr. Wei Kevin Cheng[2]	F
Mr. Chen Zhijian[2]	F,R
Mr. Ip Kwok On Sammy	F,R
Mr. Jin Guoqiang	F,R

Key:

C: Corporate governance

R: Regulatory updates

F: Finance and accounting

I: Industry updates

Notes:

1. Mr. Zhang Han ceased to be an executive Director with effect from 2 January 2019 and Mr. Sheng Jie was appointed as an executive Director with effect from the same day, which is subsequent to the end of the Reporting Period. Mr. Sheng Jie's training records from the date of his appointment to 31 December 2019 will be disclosed in the 2019 annual report.

2. Mr. Wei Kevin Cheng ceased to be an independent non-executive Director with effect from 15 February 2018 and Mr. Chen Zhijian was appointed as an independent non-executive Director with effect from the same day.

In addition, relevant reading materials including directors' manual, legal and regulatory update and seminar handouts have been provided to the Directors for their reference and studying.

Remuneration of Directors and Senior Management

The remuneration of Directors and the members of the senior management by bands for the year ended 31 December 2018 is set out below:

Remuneration bands	Number of persons
Nil to HK$1,000,000	6
HK$1,000,001 to HK$2,000,000	2
HK$2,000,001 to HK$3,000,000	2

Particulars regarding the five highest paid individuals and Directors' remuneration as required to be disclosed pursuant to the Listing Rules are set out in Notes 15(a) and 16(a) to the consolidated financial statements of this annual report.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

The Company established the Audit Committee on 14 June 2013 with its terms of reference amended on 31 March 2016 and 20 December 2018 in light of amendments to the Listing Rules.

The Audit Committee currently comprises three members, namely Mr. Chen Zhijian (chairman), Mr. Jin Guoqiang and Mr. Ip Kwok On Sammy, all of which are independent non-executive Directors (including one independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise). During the year ended 31 December 2018, Mr. Wei Kevin Cheng ceased to be the chairman of the Audit Committee and Mr. Chen Zhijian was appointed as the chairman of the Audit Committee with effect from 15 February 2018. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The primary duties of the Audit Committee are to assist the Board to provide an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, to oversee the audit process and the engagement of the external auditor, to review arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control and risk management or other matters of the Company and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee held two meetings during the year ended 31 December 2018 to review annual financial results and report in respect of the year ended 31 December 2017 and interim financial results and report in respect of the six months ended 30 June 2018 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, internal audit function, scope of work and appointment of external auditor, connected transactions and arrangements for employees to raise concerns about possible improprieties. The external auditor was invited to attend the meetings. The attendance records of the Audit Committee are set out under "Attendance Records of Directors and Committee Members".

The Audit Committee also met the external auditor twice without the presence of the executive Directors.

Remuneration Committee

The Company established the Remuneration Committee on 14 June 2013 with written terms of reference in compliance with code provision B.1 of the CG Code.

The Remuneration Committee currently comprises three members, namely Mr. Jin Guoqiang (chairman) and Mr. Chen Zhijian, who are independent non-executive Directors, and Mr. Song Hongfei, who is an executive Director. During the year ended 31 December 2018, Mr. Wei Kevin Cheng ceased to be a member of the Remuneration Committee and Mr. Chen Zhijian was appointed as a member of the Remuneration Committee with effect from 15 February 2018.

The primary duties of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing formal and transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee held four meetings during the year ended 31 December 2018 to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management and other related matters. The attendance records of the Remuneration Committee are set out under "Attendance Records of Directors and Committee Members".

Nomination Committee

The Company established the Nomination Committee on 14 June 2013 with written terms of reference in compliance with code provision A.5 of the CG Code.

The Nomination Committee comprises three members, namely Ms. Ren Wen (chairlady), who is an executive Director, and Mr. Ip Kwok On Sammy and Mr. Jin Guoqiang, who are independent non-executive Directors.

The primary duties of the Nomination Committee include, but not limited to, reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive Directors and making recommendation to the Board on matters relating to the appointment of Directors.

The Nomination Committee held four meetings during the year ended 31 December 2018 to review the structure, size and composition of the Board, the independence of the independent non-executive Directors, to consider the qualifications of and make recommendations to the Board on the Directors standing for re-election at the AGM and to make recommendation, if applicable, to the Board on the Board Diversity Policy. The Nomination Committee also considered that an appropriate balance of diversity perspectives of the Board is maintained. The attendance records of the Nomination Committee are set out under “Attendance Records of Directors and Committee Members”.

Director Nomination Policy

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level. The Nomination Committee would normally identify candidates for directorships from various channels, including but not limited to internal promotion, re-designation, referral by members of the management and external recruitment agents.

Upon receipt of the proposal on appointment of new Director and the biographical information of the candidate(s), the Nomination Committee would evaluate the candidate(s), taking into consideration of the factors as set out in the Director Nomination Policy, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company’s business and corporate strategy;
- Diversity aspects under the Board Diversity Policy;
- Independence requirements under the Listing Rules; and
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s).

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Board Diversity Policy

The Company firmly believes that the increasing diversity at the Board level is one of the essential elements in supporting the attainment of its strategic objectives and its sustainable development. Therefore, the Company has adopted a Board Diversity Policy on 28 March 2014 which has been revised on 20 December 2018 in light of the amendments to the Listing Rules which have come into effect on 1 January 2019.

In this regard, the Company is committed to (i) attracting and retaining candidate(s) for the Board with a combination of competencies from the widest pool of available talent; (ii) maintaining a Board with diversity perspectives; (iii) assessing regularly the diversity profile of the Board; (iv) ensuring a diverse range of candidates can be considered for Board positions; and (v) ensuring that changes to the Board’s composition can be managed without undue disruption.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth. The Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy.

In assessing the Board composition and nominating Directors, the Nomination Committee would take into account various aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would also discuss and agree on measurable objectives for achieving diversity in the Board, where necessary, and recommend them to the Board for adoption.

As the revised Board Diversity Policy was adopted at the end of the Reporting Period, the Nomination Committee is in the progress of discussing and adopting measurable objectives for achieving diversity on the Board based on the revised Board Diversity Policy.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

The attendance records of each Director at Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2018 are set out in the table below:

	Attendance/Number of Meetings				
Name of Director	Board	Nomination Committee	Remuneration Committee	Audit Committee	Annual General Meeting
Ren Wen	4/4	4/4	N/A	N/A	1/1
Zhang Han[1]	3/4	N/A	N/A	N/A	1/1
Sheng Jie[2]	N/A	N/A	N/A	N/A	N/A
Song Hongfei	4/4	N/A	4/4	N/A	1/1
Hao Bin	4/4	N/A	N/A	N/A	1/1
Wei Kevin Cheng[3]	0/0	N/A	0/0	0/0	0/0
Chen Zhijian[4]	3/3	N/A	3/3	2/2	1/1
Ip Kwok On Sammy	4/4	4/4	N/A	2/2	1/1
Jin Guoqiang	4/4	4/4	4/4	2/2	1/1

Notes:

1. Mr. Zhang Han ceased to be an executive Director with effect from 2 January 2019.

2. Mr. Sheng Jie was appointed as an executive Director with effect from 2 January 2019. Accordingly, there was no attendance record for the Reporting Period.

3. Mr. Wei Kevin Cheng ceased to be an independent non-executive Director with effect from 15 February 2018.

4. Mr. Chen Zhijian was appointed as an independent non-executive Director with effect from 15 February 2018.

Apart from regular Board meetings, the chairlady also held two meetings with the independent non-executive Directors without the presence of the other Directors during the year ended 31 December 2018.

RISK MANAGEMENT AND INTERNAL CONTROLS

Responsibility

The Board acknowledges that it is its responsibility to evaluate and determine the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Control Structure of Risk Management and Internal control

The Board is responsible for evaluating and determining annual significant risks and overseeing the effectiveness of the risk management, ensuring maintenance of appropriate and effective risk management and internal control systems, and making conclusions about effectiveness of risk management and internal control systems after considering the work and review result of the Audit Committee annually.

The Audit Committee is responsible for assisting the Board to evaluate and oversee the extent of the risks the Group takes, the design and implementation of risk management and internal control systems; and reporting to the Board after properly reviewing the effectiveness of annual risk management and internal control systems of the Group.

The management is entrusted by the Board with duties to properly design, implement and monitor the risk management and internal control systems, and provide a confirmation to the Board on the effectiveness of these systems.

The internal control department is delegated with the internal audit responsibility and is assigned with the task to organise and coordinate the risk identification and evaluation procedure and prepare risk evaluation reports. The notice of risk identification is submitted and the action plan to regulate such risk is reported to the Audit Committee. The internal control department is also responsible for assisting the Audit Committee to review effectiveness of risk management and internal control systems of the Group, and taking the advantages of internal audit procedure to evaluate the adequacy and effectiveness of the systems independently.

The operating and functional departments are assigned with the task to identify, evaluate, and respond to risks associated with any activity, function or process within its scope of responsibility and authority and executing risk management procedure and internal control measures.

Risk Management

Risk Management Objective

The corporate risk management is to achieve the following objectives through building rational organisation system and management mode, identifying significant risks that the Company faces, responding and monitoring significant risks:

- identify, evaluate, analyse, respond to and monitor all existing and future significant risks, and maintain the risks within the acceptable levels of risk that the management can take;
- build sustainable and effective monitoring and reporting mechanism for all significant risks;
- provide rational assurance for the Company to follow requirements of relative laws and regulations of external supervision agencies, and for all departments to follow the Company's relative internal rules and regulations; and
- provide rational assurance for execution of major measures aiming to achieve corporate objectives.

Main Process of Risk Management

The risk management mainly includes risk identification, risk evaluation, risk management measures and risk control and report.

Risk identification:	All operating and functional departments should identify potential internal and external risks during their operation at least annually. Effects on the goals and significant issues or risk events in corporate operation in previous years are mainly referred when identifying risk. The risks that have been identified shall be summarised to finally form a risk pool according to risk category.
Risk evaluation:	All operating and functional departments shall evaluate the possibility of occurrence and influence degree of risks according to risk evaluation criteria. Risks shall be identified and ranked through the bottom-up and top-down process of risk identification and assessment, and then reported to the appropriate management, the Audit Committee and the Board. The final significant risks list is determined after full communication and discussion.
Risk management measures:	Departments with risk responsibilities shall properly employ risk avoidance, reduction, sharing, taking or other methods to formulate risk response scheme for significant risks by considering risk tolerance of the Group, which prompts the Group to allocate resources rationally to cope with risk or perfect countermeasures, so that the overall level of risk of the Group can be reduced to an acceptable extent.
Risk control and report:	The early-warning index of risks, internal audit, regular risk summary reports and other forms are comprehensively used to monitor and report risks in the Group.

Significant Risks

The Group has conducted the process of risk identification and assessment according to the corporate risk management framework in 2018. Such significant risks of the Group and their nature and extent of change, their respective key strategies/control measures are set out below:

Risk Category	Risk Description	Risk control measures	Risk Change Trend
Horizontal Competition Risk	**The Rise of IP Events of Major Brands Increases the Competitive Risk of the Industry** The rise of domestic marathon events has witnessed the rapid development of many branded IPs in the industry. Marathon events of all brands have blossomed. As the leading enterprise in the marathon event industry, Wisdom Sports Group faces risks in keeping its leading position in the industry and expanding its market share.	The Company is upgrading its runner service and sponsor service to consolidate its position in the industry and constantly develop influential event brands.	Increase
Operation Risk	**Sponsor Brand/Industry Conflict Risk** As sponsorship income is one of the important sources of the Company's marathon event income, ensuring that there is no exclusive contradiction between the sponsor brands and between the sponsor's industries has become an important aspect of the Company's implementation of projects.	In the early stage of negotiation, the Marketing Department should integrate the list of potential sponsors, pay special attention to the exclusive rules of sponsors, eliminate in advance potential sponsorship conflicts among sponsors and among sponsoring industries, and resolve conflicts through early-stage negotiation.	Flat
Operation Risk	**Professional Management Talents Recruitment and Outflow Risk** The demand for middle and high-level managerial talents will continue to increase as the Company's business grows and it continues to expand its production and operation. As marathon event industry is an emerging industry, there is a general shortage of experienced middle-level managerial talents in the industry. Failure of the Company to continue to attract and retain such talents will generate an adverse effect on its expansion of its business, or even pose a threat to its continuous operation.	The Company should constantly improve its human resources management system. In addition, the Company should also publicise and implement thoroughly its corporate culture and perfect its incentive mechanism in order to let its employees get a sense of identity, retain key managerial talents and avoid the risk of outflow of employees. Third, the Company should enhance training of its employees, introduce talents with high quality and take many other measures to effectively ensure its professional managerial talent pool.	Increase

Internal control

Objective of Internal control

The Board confirms its responsibility of overseeing the effectiveness of the Company's internal control system, while robust and effective internal control is achieved through a management structure with specific authorisation and responsibility of internal control, which aims to:

- properly ensure the legal compliance of business operation and management, assets security, and truthfulness and integrity of financial reports and related information;

- improve operation efficiency and effectiveness; and

- facilitate the enterprise to achieve development strategies.

Internal control framework

Based on COSO (the Committee of Sponsoring Organisations of the Treadway Commission) Integrated Framework, the Group has designed internal control system by combining the business management characteristics of the Group, and specially set up the internal control department which is responsible for the work of internal control. For the year ended 31 December 2018, the Group has carried out risk-oriented internal control evaluation on financial reporting process, business and revenue process, cost and payment process, asset management process and fund management process. The Group has also conducted follow-up work on the remediation of previously detected problems on a regular basis. The management and the Audit Committee have reviewed the internal control evaluation report, and have evaluated the effectiveness of the Group's risk management and internal control systems. The review covered all material controls, including financial, operational and compliance controls.

As of 31 December 2018, the Board believes that the Group has implemented closed-loop management mechanism of internal control from planning, reviewing, reporting to following-up. The system of risk management and internal control was effective and adequate, and relevant procedures for financial reporting and Listing Rules compliance were effective. There were no findings of significant matters that may affect the Group's financial, operation and compliance controls as well as risk management.

During the course of the review, the Board ensured the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

Inside Information

The Group acknowledges and strictly abides by the requirements of currently effective laws, regulations and guidelines in dealing with relevant affairs, including the responsibility concerning inside information disclosure in the Securities and Futures Ordinance, the Listing Rules and the *Guidelines on Disclosure of Inside Information* promulgated by the Securities and Futures Commission. The Group has established the procedures and internal controls for the handling and dissemination of inside information, and has passed on the implementation of continuous disclosure policy to all relevant personnel and provided relevant training.

The Board considers that the Company's procedures and internal controls for the handling and dissemination of inside information are effective.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2018.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 73 to 79 of this annual report.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditor.

AUDITOR'S REMUNERATION

An analysis of the remuneration paid to the external auditor of the Company, RSM Hong Kong, in respect of audit related services and non-audit related services for the year ended 31 December 2018 is set out below:

Service Category	Fees Paid/ Payable RMB'000
Audit related services	2,750
Non-audit related services	
—Independent review on interim financial information of the Group for the six months ended/as at 30 June 2018	900
—Independent assurance on calculations of valuation of 100% equity interest in First AI as at 30 September 2018	77
	3,727

COMPANY SECRETARIES

Ms. Hao Bin, an executive Director, assistant president of the Company and the general manager of the quality control centre of the Company, and Ms. Chan Sau Ling of Tricor Services Limited, external service provider, were appointed by the Board as joint company secretaries of the Company with effect from 7 November 2016 and 30 August 2018, respectively. During the Reporting Period, Ms. Kam Mei Ha Wendy of Tricor Services Limited resigned as joint company secretary of the Company with effect from 30 August 2018.

The primary contact person of Ms. Chan at the Company is Ms. Hao Bin, the joint company secretary of the Company. The Company has received the training records from each of the joint company secretaries of the Company, pursuant to the content of which, the Company considers that the trainings of the joint company secretaries during the year ended 31 December 2018 was in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening and Putting Forward Proposals at Extraordinary General Meeting by Shareholders

Pursuant to Article 58 of the Articles of Association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders should follow the requirements and procedures set out above for putting forward proposals at extraordinary general meetings of the Company.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	No. 43, Building B, 25 Xiaoyun Road, Chaoyang District, Beijing, PRC (Attention: The Investor Relations Department)
Fax:	(+86)10-84742666
Email:	ir@wisdomsports.com.cn

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide his/her (their) full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Shareholders may call the Company at (+86)10-84742666 for any assistance.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings.

The general meetings of the Company provide a forum for communication between the Board and the Shareholders. The chairlady of the Board and the Nomination Committee as well as chairmen of the Remuneration Committee and Audit Committee (or their delegates) will make themselves available at the annual general meetings to meet Shareholders and answer their enquiries. The 2019 AGM will be held on Friday, 28 June 2019 and the notice of the 2019 AGM will be sent to Shareholders at least 20 clear business days before the 2019 AGM.

To promote effective communication, the Company maintains a website at www.wisdomsports.com.cn where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are posted. The Company has also in place a Shareholders Communication Policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

DIVIDEND POLICY

The Company has adopted a policy on declaration and payment of dividends (the "**Dividend Policy**") in accordance with code provision E.1.5 of the CG Code. Pursuant to the Dividend Policy, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. In addition, the Board will also take into account the financial results, cash flow situation, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interest of the Shareholders, restrictions on payment of dividends and any other factors that the Board may consider relevant when considering the declaration and payment of dividends. The Company may declare and pay dividends by way of cash or scrip or such other means that the Board considers appropriate.

The Company currently does not have any pre-determined dividend payout ratio.

ARTICLES OF ASSOCIATION

During the year ended 31 December 2018, the Company has not made any changes to its Articles of Association. An up-to-date version of the Company's Articles of Association is available on the Company's website and the Stock Exchange's website.

Environmental, Social and Governance Report

OVERVIEW

Scope and Reporting Period

This is the third Environmental, Social and Governance ("**ESG**") report by the Group, highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

The Group mainly involves businesses in events operation and marketing, sports services, and advertising program and branding. This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social of the business operations in headquarter office in Beijing ("**Beijing office**") and sixteen marathon events in the People's Republic of China ("**PRC**"), from 1 January 2018 to 31 December 2018, unless otherwise stated. The Group has also co-organized some of the events of "Running in China" and "Smart Marathon" during 2018. Some events were co-operated by the Group and some events only provided authorization and broadcasting services but without the Group's direct involvement, and hence the related data were excluded from the reporting scope.

Stakeholder Engagement and Materiality

The Group values input and feedback of its stakeholders as they bring potential impacts to the Group's business. Internal and external stakeholders have been involved in regular engagement activities to share views regarding the Group's operations and performances. The Group has specifically engaged the board members, senior management, frontline staff, governmental organizations, suppliers, business partners and event participants to gain further insights on ESG material aspects and challenges in the Reporting Period. Through meetings and surveys, the Group and its stakeholders identified the following top six material aspects:

- Water Resources;
- Emissions;
- Event Safety;
- Supply Chain Management;
- Environmental Protection Measures; and
- Event Product and Service Quality.

The Board is committed to monitoring the above aspects and will continue to keep close communication with its stakeholders for better ESG performance, and more effective ESG risk management and internal control system. ESG Working group or committee shall be formed to prepare for future business development and challenges as and when necessary.

Stakeholders' Feedback

The Group welcomes stakeholders' feedback on its ESG approach and performance. Please give your suggestions or share your views with us by phone 010-84742666 or email at chenxi@wisdomsports.com.cn.

The Group's Mission and Strategies

Major changes involved during the Reporting Period include:

– October 2018: signing the Strategic Cooperation Agreement with the General Administration of Sport of China, which marked the business expansion to football industry, in addition to the existing business on running industry.

– November 2018: acquisition of A.I.Sports Technology, which strengthened the Group's capability for broadcasting and production of sports events, as well as improving the quality and environmental efficiency of equipment used in events.

In 2019, the Group aims at further strengthening its management system, and optimizing its resource allocation on sports technology and internet, to create a better platform for resourceful environment and talent support. The Group will continue putting effort on the strategic development plan of "Sports + Technology" so that business adheres to transformative and innovative growth in the coming years. Upholding the brand concept of "Wisdom in the mind and fitness in the body" and improving financial performance, at the same time, the Group will actively fulfil its corporate social responsibility, promoting both fitness and sustainability development among the society. Furthermore, the Group will continue exploring opportunities on better ESG management and set supportive strategy and objectives in meeting future changes and challenges.

The Group believes that running industry provides a platform for sports enthusiasts, moulding wisdom in the mind and fitness in the body for millions of people through marathons. That's the mission of the Group promoting National fitness activities and forging sustainable business industry.

A. ENVIRONMENTAL

A1. Emissions

Due to the nature of business, the Group did not involve emissions related to manufacturing or production. The Group's business operation in Beijing, the PRC, is office-based, in which significant emissions were mainly related to petrol used for company owned vehicles, electricity consumption for daily office operation and business air travel during the Reporting Period. For the marathon events, the Group keeps tracks for the use of electricity, water and packaging materials, and strictly follows individual event's environmental impact assessment conducted by the government. The Group will look into the best way to streamline systems and processes for effective waste data collection in the coming years.

The Group strictly abides by the Environmental Protection Law of the PRC, Law of the PRC on Prevention and Control of Environmental Pollution by Solid Wastes. These laws aim to protect the environment and human health by preventing and controlling environmental pollution by solid waste and other public hazards, as well as ensuring enterprises to be responsible for their environmental impacts and liable for any damages. The Group ensures its operations do not pose significant environmental threats and actively protects natural resources. Domestic waste and recyclables from office operation are collected daily by cleaning personnel and handled by property management; Domestic and commercial waste generated from the marathon events are collected and sorted by volunteers and municipal sanitation works.

For the use of vehicles and air conditioners, the Group strictly complies relevant laws and regulations such as Air Pollution Prevention and Control Law of the PRC, as well as opinions on ecological and environmental protection from the People's Government of Beijing Municipality. Protection of the atmospheric environment and natural environment, and control of atmospheric pollution are enforced by these laws, particularly in Beijing in which pollution-prevention plans and ecological preservation in key areas and key river valleys are implemented by the Municipal Government. The Group has maintained strict management and monitoring over vehicle-related emissions generated from daily office work and event operations. In particular for rental vehicles in marathon events, the Group has set up rules and guidelines on record keeping on fuel usage, mileage and maintenance works for vehicles, and compliance with traffic related laws and regulations.

During the Reporting Period, the Group did not note any cases of material non-compliance relating to air and greenhouse gas emissions, discharge into water and land, and the generation of hazardous and non-hazardous waste as required by the applicable laws and regulations.

A1.1 Air Emissions

During the Reporting Period, the Group's operation did not consume any gaseous fuel thus there was no related direct emission of nitrogen oxides ("**NOx**"), sulphur oxides ("**SOx**") and respiratory suspended particles ("**PM**"). Petrol was consumed for Group-owned vehicles at Beijing office, which contributed to the emissions of 0.12 kg of SOx, 3.25 kg of NOx and 0.39 kg of PM.

A1.2 Greenhouse Gas ("GHG") Emissions

Scope of GHG Emissions	Emission Sources	Emission (in tonnes of equivalent CO2 ("tCO_2e"))	Total Emission Percentage
Scope 1 Direct Emission			
Combustion of Fuel for Mobile Sources	Petrol	21.22	10%
Scope 2 Indirect Emission			
Purchased Electricity		84.76	41%
Scope 3 Other Indirect Emission			
Paper Waste Disposal		1.49	49%
Business air travel		101.47	
Total		208.94	100%

Note1: Emission factors were made by reference to Appendix 27 of the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Note2: Combined margin emission factor of 0.7598 tCO_2/MWh and 0.6762 tCO_2/MWh were used for purchased electricity in the Beijing office and marathon events in the PRC respectively.

A1.3. Hazardous Waste

The Group's business did not involve significant generation of hazardous waste, thus no such data is being presented in this report. Limited amounts of hazardous waste such as toner cartridges were consumed in Beijing office and were collected by qualified cleaning company for further handling.

A1.4. *Non-hazardous Waste*

The Beijing office's operation disposed of a total of 311.38 kg of waste paper in the Reporting Period. Insignificant amount of domestic waste from office was generated and handled by municipal authorities. For the marathon events, the Group has partnered with both municipal cleaning services and qualified third parties for recycling or detoxification handling depends on the waste type. Approximately 73.85 tonnes of plastic water bottles, disposable paper cups, sponge and disposable raincoats were collected from the marathon events during the Reporting Period.

A1.5. *Measures to Mitigate Emissions*

With business air travel as major emission from the Group during the Reporting Period, the Group shall review and reinforce existing management regulations of business travel and further encourage the use of teleconferencing system for meetings and conferences. For business travel of less than 1,300 km away, the Group encouraged employees to take trains instead of planes.

Overall, The Group continues to adopt below initiatives to reduce emissions:

– Encourage daily commute to shift from cars to public transit such as bus, metro and sharing bikes;

– Maintain stringent management over the use of taxis for local business travel; and

A1.6. *Waste Reduction and Initiatives*

The Group has adopted OA (Office Automation) system to promote paperless office, at the same time encouraging employees to print double-sided, reuse and recycle paper as much as possible.

During marathon events, disposable paper cups are inevitable along the course. The Group has engaged volunteers to carry out clean-ups during the races to reduce disturbance to the environment and community of where marathon events were held. Moreover, the Group was the pioneer of the "No garbage left after marathon" starting in 2015, in which incentives are given to general public to pick up trash after themselves and for others after the race.

The Group also maximizes reuse of materials in event operations and engaged partners with qualified collectors to handle both recyclables and non-recyclables items. Each division of the operation is required to manage their own waste handling and recycling. For example, contractors shall be responsible for collecting and handling their own building materials and related construction waste. Mobile toilets are managed properly during the events by the Group and are returned to suppliers for after use handling. Trash collection points with municipal garbage bins were set up for waste collection and prevent litter on the running course.

To further reduce the environmental impacts from the marathon events, the Group adopted new technology, environmentally friendly materials, eco-products and alternative energy to prevent, reduce and/or control the generation of waste. For instance, some of the marathon events have already started using electric cars as sponsor vehicles, reducing both emissions and event cost. The Group will work on better data tracking and collection on non-hazardous waste generated from marathon events.

A2. Use of Resources

The Group has implemented corporate resource management to reinforce the conservation and efficient use of resources and further reduce the overall greenhouse gas emissions. Various management measures and procedures have been developed for office (in terms of waste management, use of equipment and vehicles, and business air travel) and event operations (in terms of resource management and use of vehicles and fuels). Effective management enables the Group to provide participants with environmentally-friendly products and services, while achieving comprehensive and sustainable development of the Company.

A2.1. Energy Consumption

During the Reporting Period, the Group's business operations resulted in a total energy consumption of 185,923.07 kWh from the use of electricity and petrol, with an energy intensity of 11,620.19 kWh per marathon event. In term of electricity use, the Group consumed a total 116,173 kWh of electricity, with an average of 26.24 kWh/m^2 for Beijing office and approximately 2,622 kWh per marathon event. In term of petrol use, the Group owned six passenger cars and consumed approximately 7,871 L of petrol.

A2.2. Water Consumption

Water consumption from the Beijing office is included in the property management fee, thus no such data is being presented in this report. No fresh water was consumed during the marathon events of the Group during the Reporting Period, but the Group engaged suppliers and sponsors to provide approximately 1,452 m^3 of bottled drinking water and beverage.

A2.3. Energy Use Efficiency Initiatives

The Group has management regulations on the use of lighting. All office equipment, power sources and air conditioners must be switched off before getting off work and holidays. Signs related to energy saving are provided in common areas to promote energy saving habits. Initiatives that the Group has set out and implemented successfully during the Reporting Period included the reinforced education on raising awareness of energy conservation at both office and marathon operations and the inclusion of agenda items of resource management (such as electricity consumption) in regular meetings.

A2.4. Water Use Efficiency Initiatives

The Group promotes water conservation by using water efficient equipment and raises awareness by displaying signs related to water saving practices in public areas. For marathon events, designated personnel are assigned as coordinator to carry out inspection of water use after each shift to reduce unnecessary wasteful consumption. There was no issue in sourcing water that is fit for purpose.

A2.5. Packaging Materials

The Group's business did not involve any use of packaging materials, hence no data nor information is being presented in this report.

A3. The Environment and Natural Resources

The Group has adopted various measures to reduce the impacts on the environment and natural resources arising from event planning and operations.

Planning of Marathon Projects

- In respect of developing new projects, the Group negotiates with the relevant government authorities to select appropriate routes for marathons, thereby minimising the impact of projects on the environment; and

- The Group integrates messages and educational materials related to environmental protection during promotion activities to raise the overall awareness of potential participants.

Operation of Marathon Projects

- The Group organises environmental trainings for volunteers helping the marathon events;

- The Group provides sufficient auxiliary facilities (e.g. mobile toilets) to avoid the occurrence of "urinating on the wall"; and

- The Group cleans the areas involved in a timely manner after the marathon races to restore them back to original condition.

A3.1. Significant Impacts of Activities on the Environment

The Group's business activities do not generate materials impacts on the environment, other than minor impacts due to electricity consumption from the office operation in Beijing and frequent business air travel for organizing sixteen marathon events in fifteen different cities in PRC throughout the year. The Group will continue to review current practice and policies and look for alternative solutions to further cut down their relative emissions.

The Group shall continue managing and operating marathon events with an aim to promote the concept of green, healthy and low-carbon lifestyle, and will continue putting efforts on optimal utilization of resources and environmentally friendly materials, as well as efficient use of water and electricity during event operation, thereby contributing to reducing greenhouse gas emissions and minimizing the Group's impact on global warming.

B. SOCIAL

1. Employment and Labour Practices

B1. Employment

The Group's current corporate management related to human resources covers detailed measures on recruitment and dismissal, remuneration, performance assessment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, and other employees' benefits and welfare. The Group did not note any cases of material non-compliance in relation to employment during the Reporting Period and strictly complies with national and local laws and regulations, including but not limited to the followings:

– Labour Law of the PRC

– Labour Contract Law of the PRC

– Social Insurance Law of the PRC

– The Trade Union Law of the PRC

The above laws were written to protect employee's legitimate rights and to ensure they are treated fairly and enjoy the social insurance benefits, to maintain a stable employment relationship between employees and the Group through the requirements of labour contract, as well as to safeguard the rights and obligations of trade unions. The Group uses Labour Law as guidance and reference for continuously improving employee handbook and standardising terms and rules to provide the best protection for both business and employees. The Group also strictly follows the Labour Contract Law while developing the employment contract with employee and provides detail explanations on the terms and clauses. New recruits are also required to attend training to ensure the understanding of the contract agreement. Moreover, the Group provides five types of insurance and one type of fund for all employees to ensure they enjoy the social insurance benefits. Furthermore, in accordance with the Trade Union Law, the Group has established independent trade unions, female workers' committee and study groups to support and care for employees who have difficulties or special needs.

Total Employees and Daily Management

The Group had a total number of 187 employees as of 31 December 2018, in which all employees were full-time employees from the PRC. Comparing with 31 December 2017, there was a 131% increase in workforce due to business expansion and new acquisition.

The Group is also committed to providing a comfortable working environment as well as diversified and enriched cultural and leisure activities for its staff. The Group continues encouraging employees to decorate their work stations according to their personal preference so as to create a relaxing and pleasant working environment. Team-bonding and festive activities such as cultural integration, birthday parties, traditional food cooking classes, sports competitions, and film screening were held on a regular basis. Moreover, the Group showed care for the female employees by presenting little gifts to them on Women's Day and addressing and satisfying their reasonable needs.

Remuneration

The Group provided its employees with competitive remuneration and made contributions to a series of basic social insurance, including endowment insurance, basic medical insurance, unemployment insurance, work injury insurance and maternity insurance. It also provided other employee benefits, such as supplemental medical insurance and contributed to their housing provident fund.

Performance Assessment and Promotion

The Group conducted performance assessment for employees with fairness and promoted employees with outstanding performance, providing equal and strategic career paths to employees for their development and stronger management capability.

Working Hours and Rest Periods

The Group observed the provisions of the Labor Law of the PRC and ensured that the working hours of employees were limited to eight hours per day or 40 hours per week. The working hours of some employees were calculated in terms of the year, which would not exceed the statutory working hours. In addition, the Group provided full protection for paid leave entitlement, including annual leave, to its employees.

Equality, Diversity and Antidiscrimination

By upholding the principles of equality, diversity and anti-discrimination, the Group has exercised complete respect to the legitimate rights and interests of all employees to eliminate matters related to gender discrimination.

B2. Employee Health and Safety

Due to the nature of business, the Group does not involve workplace in manufacturing or production environment. The Group strictly observed the laws and regulations in relation to health and safety such as the Law of the PRC on the Prevention and Control of Occupational Diseases and the Production Safety Law of the PRC and, along with the expectations and requirements by the suppliers, athletes and customers for a healthy and safe working environment. Being in the sports industry and in accordance with the Law of the PRC on the Prevention and Control of Occupational Diseases, the Group's business has minimal exposure to the occupational diseases and hazards. Nevertheless, all employees are required to provide medical records dated within past six months upon recruitment and will be provided with annual health check.

Being in the event industry, employees are required to carry out frequent business trips to ensure smooth and effective commencement of event operation. Therefore, the Group provides employees specific trainings on health and safety risks which may arise from business trips or at work, with an aim to equip them with knowledge and skills.

There were no work-related fatalities or injury cases during the Reporting Period. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to provision of a safe working environment and protecting employees from occupational hazards had been identified during the Reporting Period.

B3. Development and Training

The Group attaches great importance to the nurturing of talent and enhancement of knowledge in order to satisfy the development needs of staff from various positions. At the same time, to meet the market demand and business growth, the Group recognizes the significance in providing comprehensive training and development opportunities to build an outstanding sports event operation and management team. During the Reporting Period, the Group has launched second phase training of "Wisdom University", in which week-long series of training for middle and senior management and employees were conducted. Specific training in the areas of international and local market trends, industrial standards, organization management and business strategy were provided with a total of 183 participants.

Percentage of Employees Trained by Gender

– Male	119%
– Female	130%

Percentage of Employees trained by Employment Category

– Senior Management	100%
– Middle Management	330%
– Frontline and Other Employees	112%

Average Training Hours Completed per Employee by Gender

– Male	107 hours
– Female	136 hours

Average Training Hours Completed per Employee by Employee Category

– Senior Management	40 hours
– Middle Management	264 hours
– Frontline and Other Employees	113 hours

Training Methods

- The Group organises Staff Training Session every Friday to ensure that the professional knowledge of its staff can keep pace with industry development;
- The Group supports and encourages management staff to participate in EMBA and other courses organized by institutions of higher learning;
- The Group hire experts in the industry or senior lecturers in related field to give lessons to employees;
- The Group arranges e-training courses to facilitate training of off-headquarters employees; and
- Role playing and job rotation elements are added in training sessions for employees to improve their skills and responsibilities in simulated working conditions and scenarios.

B4. Labour Standards

The Group strictly complies with the Labor Law of the PRC, the Labour Contract Law of the PRC and the Provisions on the Prohibition of Using Child Labour and other laws and regulations in relation to labor standards of the PRC, and there was no child labour nor forced labour working in the Group during the Reporting Period. There was no material impact to the Group's business as recruited candidates were always 20 years old or older, with collage degree or above and with full capability on carrying out civil duties. The Group made sustained efforts to safeguard the legitimate rights of its staff. The Group upholds fair and legal relationship with its employees and strictly follows the agreement written on labour contract. A labour union has been established to guarantee independent operation of the union in accordance with the Trade Union Law of the PRC and other relevant requirements.

2. Operating Practices

B5. Supply Chain Management

Operation process optimization and result of sports event operation are always the concerted efforts of various suppliers and partners. Accordingly, the Group pays great attention to its supply chain management. It has formulated regulations for supplier management to strictly control the admission of suppliers and exercise dynamic management over selected supplier. Management measures such as Bidding Management System and Procedure, Review Regulations on Project Bidding Documents, and Procurement Management System and Procedure are established to ensure a stable and efficient supply chain.

Environmental and Social Control on Suppliers

The Group enforces control and closely follows the environmental and social performance of suppliers, particularly for environmentally friendly products and equipment, and safe working condition for food and beverage productions. Purchasing department shall consider the overall product quality, performance, price and eco-friendly, etc and give priority to those with lower environmental impacts. Moreover, the Group promotes its corporate policies and management to suppliers and contractors and encourage their commitment in environmental protection and social responsibility upon engagement.

Admission of Suppliers

- The Group conducts comprehensive assessment on the qualification of its suppliers and contractors to ensure the fairness and transparency of the screening process;

- The Group carefully selects the media to cooperate with and reinforced its strong alliance with China Central Television and local satellite television stations;

- The Group classifies its advertisement sponsors into different categories and formulated different admission standards accordingly. Priorities will be given to internationally and domestically leading brand sponsors except for small events. In addition, all advertisements of the sponsors are subject to review by the Sports Event Organising Committee and local sports bureau for event operation to ensure that there are no false claims or exaggerated promotions.

Management of Suppliers

- The Group exercised dynamic management over selected suppliers and partners. Qualification of suppliers and partners are examined regularly to assure the quality and reasonable cost of products and services procured;

- In case of breach of supplier management regulations, the Group shall either issue warning to the supplier or disqualify the supplier. In case of misconduct such as environmental pollution or breach of labor standards of suppliers or partners, the Group shall also disqualify the supplier or terminate the partnership.

B6. Product Responsibility

During the Reporting Period, the Group did not note any cases of material non-compliance regarding health and safety, advertising, labelling and privacy matters relating to products and services provided as required by related laws and regulations.

The Group strictly complies and actively responds with the Sports Law of the PRC. This law ensures the reliability of funding sources, deters the use of banned drugs in sports activities and safeguards the professionalism and fairness of sports events, as well as promoting sports culture and national fitness, and the inclusion of Chinese talents. The Group has always been organising marathons with an aim to develop and promote nationwide sports. Every individual including families, elderlies, people with disabilities, and groups like local enterprises, trade unions and social groups, as well as international athletes, are encouraged to participate. The Group also puts efforts in developing advanced technology related to sports events and maintains high standards of marathons by inviting athletes and referees with technical levels corresponding to the levels of marathons. Volunteers and supporting units shall be recognized with certifications. Arbitration committee is being set up for every event in order to handle any disputes in the competitions.

The Group also follows the principle, "Prevention first, education oriented" of the Anti-doping regulations, by carrying out education works related to anti-doping through official websites and online platforms as well as offline lectures. The Group also invites professionals from national anti-doping testing centre to conduct testing on top runners from marathon events.

Adhering to the brand philosophy of "Wisdom in the mind and fitness in the body", the Group strives to provide professional and safe sports services for hundreds of millions of participants and promote green GDP growth through its marathon event operation.

Professional Sports Services

The Group has adopted various management systems related to bidding tenders, event registration, event work process, event contract and finance and rental vehicles to ensure consistent and professional sports services and events are provided. To ensure a smooth bidding work, the Group has standardized the preparation works for various types of services and relevant documentation for more efficient and better monitoring of bidding progress. For event registration, the Group has developed consistent methods on registration-related procedure, official website, data management, event short message service (SMS) planning, consulting works and result announcements. For contract that is over RMB1,000,000 or individual product which costs more than RMB200,000, the Group has a standardized system on managing the contract's execution, strengthening its cost management and preventing loss of assets. The Group has also set up standard procedure on financial issues involving receipt, budget, financial approval and service agreement arising from business operations. Lastly, for better management of rental vehicles in marathon events, the Group has set up rules and guidelines on driver qualification, record keeping on fuel usage, mileage and maintenance works for vehicles, insurance, and compliance with traffic related laws and regulations.

Following the successful series of basic necessity of life, the Group has launched its sports services under the theme of "Movement". Adhering to its "Sports+" strategy, the Group's marathon events are upgrading towards "Version 2.0" at a faster pace. It has completed the quality transformation from single sports competition to innovative "Platform-grade" events with unique values, thereby successfully establishing an innovative model for platform-grade that serves the entire industry chain prior to, during and after the event.

The Group has also set up organizing committee and customer service hotline and emails as proper channel to collect and handle customers' and participants' feedback. There were no complaints received related to products and service provided during the Reporting Period.

Safe Sports Service

As a long-distance running sport, marathon may cause physical sickness to some of the participants due to the strong intensity of exercise. In order to ensure the safety of participants, the Group optimizes its application management and sports events management system on a continuous basis so that the participants are offered with safe and reliable sports products. During the Reporting Period, the Group has experienced no incidents of fatalities or serious injuries of participants as a result of its marathon events.

Application

- The Group has formulated stringent application requirements based on the conditions of the marathon events: Applicants for marathon events may be required to provide certified medical examination reports dated within one year and post-marathon reports.

- The Group puts great effort into protecting the privacy of its customers. Information of participant will be managed collectively by the back office of the Group to ensure information security;

- The Group maintains insurance for participants with an insurance coverage of 100%.

Competition

- The Group cooperates with the relevant departments and authorities in places where it operates to select the appropriate time and routes for competition. Medical plans, security measures and emergency plan are in place prior to each marathon;

- The Group provides detailed competition guide on the official competition website, including information such as roadmap, location of supply points, washrooms and medical stations, weather forecast, etc.;

- The Group invites physicians to participate in the marathon, and provided AED (Automated External Defibrillator) along the track and near the finish line to prevent accidents and ensure timely and effective rescue measures;

- The Group set up appropriate track and grandstand. Special attention is paid to the zoning at the finish line to make sure there is safe distance between participants and spectators.

Intellectual Property

To maximize the protection of the Group's interest, great attentions are paid for applying and protecting intellectual property rights, such as trademark, patents, copyrights, domain names, etc. During the cooperation with individual units or partners, detailed provisions shall be made clearly on the intellectual property right's ownership, scope of use, development result, etc., as well as proper handling of relevant legal documents and the non-disclosure agreement in the employment contract.

Customer Data Protection and Privacy

For customer data and information, the Group has rules on protecting customers' privacy and data protection. No material non-compliance with laws and regulations in relation to customer data protection and privacy was recorded during the Reporting Period.

B7. Anti-corruption

The Group strictly abides by the Criminal Law of the PRC, the Anti-Unfair Competition Law of the PRC, the Interim Provisions on the Prohibition of Commercial Bribery by the State Administration for Industry and Commerce and other laws and regulations in relation to anti-corruption. The Group does not engage in unfair competition with its business and protects the quality of event service. It also strictly maintains social and economic orders and has no tolerance on misconduct, malpractice, and infringement on personal and democratic rights. The Group also determines to maintain a healthy market competition without jeopardizing the legitimate rights and interests of other operators and consumers.

Moreover, to prevent corporate crimes related to accepting bribes from non-state workers, embezzlement, misappropriating funds or infringement of intellectual property, the Group has established various measures, such as Procedure for Employees on Reporting Potential Misconduct, Anti-fraud Reporting System and Management System for Intellectual Property Protection, to prevent such behaviours and protect the Group's legal rights.

To create a fair, transparent, legal and complaint business environment, the Group also established a series of systems related to procurement, marketing and management to prevent illegal activities such as commercial bribery, malpractice, misappropriation of public funds, etc. All business partners with the Group must sign an agreement on prohibition of commercial bribery upon engagement.

The Group has effectively managed its corruption-sensitive segments and prevented the risk of non-compliance by formulating and implementing its anti-corruption policies. During the Reporting Period, the Group was not involved in any litigation or corresponding penalties due to embezzlement, corruption and bribery.

Anti-corruption Policies

- The Group has formulated anti-corruption policies and established a reasonable internal control system to clearly set out the management measures for corruption-sensitive segments and forbid its staff from obtaining benefits through illegal means;

- The Group has included anti-commercial bribery and anti-corruption clauses in its contracts to ensure a transparent procurement process.

Anti-corruption Measures

- The Group has established an anti-corruption organisation led by the quality control centre of the company. The person-in-charge of each of the departments is responsible for the implementation of anti-corruption measures within the department;

- The Group has established a rewarding anonymous reporting channel for corruption to encourage whistle-blowing with strong protection for information about the whistle-blower;

- The Group organised anti-corruption publicity and education for its staff on a regular basis.

Anti-corruption Handling

- The Group conducts investigations into staff involved in corruption, which might be submitted to the law enforcement authorities depending on the seriousness of the case.

- The Group was in compliance with all applicable laws on prohibiting corruption and bribery of the PRC. There was no concluded legal case regarding corrupt practices brought against the Group or its employees during the Reporting Period.

B8. Community Investment

The Group is committed to creating friendship, care and respect among our community. With continuous efforts over the years, The Group has continued to develop and establish more competitions with local relevance and higher standards, through which it has fulfilled its corporate social responsibilities in a unique way and contributed to the promotion of nationwide fitness.

Promotion of Nationwide Fitness

- The Group developed and operated diversified and multi-level marathon events;

- The Group made voluntary promotion to the participants and audience of competitions by means of online promotion, and distribution of promotional materials at the event with a view to enhancing public awareness of nationwide fitness;

- The Group reserved enrolment quota for the disabled in its marathon events to promote nationwide fitness among disadvantaged groups.

Engage in Social Welfare Activities

- For Nanchang Marathon, the Group provided a charity race application quota worth 14,400 RMB to the Nanchang Charity Association;

- In Shenzhen, the Group has donated food and beverages from the marathon events to the Shenzhen elderly home, as well as volunteered at post-disaster relief activities; and

- In Xiangyang, the Group has donated daily necessities to orphans at Xiangyang Children Welfare Institute.

Directors' Report

The Directors are pleased to submit their annual report together with the audited financial statements for the year ended 31 December 2018.

GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 21 March 2012 and the shares of the Company (the "**Shares**") have been listed on the Main Board of the Stock Exchange (the "**Listing**") since 11 July 2013 (the "**Listing Date**").

BUSINESS REVIEW

Principal Activities

The Group is a prominent sports culture group in the PRC engaged in the provision of events operation and marketing services, sports services, and advertising program and branding services in the PRC with a special emphasis on the development and extension of the sports industry chain. The principal activities and other particulars of the Company's subsidiaries are set out in Note 25 to the consolidated financial statements of this annual report.

For the detailed review of the Company's business and the indication of further development in the Company's business, please refer to the subsections headed "Business Review" and "Outlook of the Industry and the Group" under the Management Discussion and Analysis section of this annual report.

Principal Risks and Uncertainties

During the year ended 31 December 2018, the Group's operations were mainly subject to the following risks and uncertainties and these risks and uncertainties are continuing. If any of the circumstances or events described below actually arises or occurs, the business, results of operations, financial condition and prospects of the Group would likely suffer.

- With the continuous growth of the Company's business, and the ever-expanding scale of the Company, negative rumors about the Company or management may reach the capital market, which may affect the Company's normal business, and even worse, affect the Company's brand reputation to a certain degree.

- With constant social attention to sports events, people's enthusiasm to participate in marathon events continues to heat up, and the scale of events continues to grow. In the course of marathon events, the body of participants may come to unexpected situation, such as sudden death. In addition, since marathon events in large cities attract a large number of participants (20,000-30,000 persons), such large-scale people gatherings may contain public safety risk, such as crowded stampede, terrorist attacks, etc. These above situations will affect normal operation of the events and bring adverse impacts to the Company.

- As road running industry and related events management become gradually mature, the market of road running keeps expanding, and user demand keeps increasing, the Company needs to improve its internal system process, timely adjust its organisational structure, and promote ability of inter-departmental communication and collaboration, otherwise the Company's sustainable operation, revenue and performance may be threatened.

- The Group is currently the leading marathon operator in China, operating and managing marathon events in a number of large Chinese cities. During implementation of events, the Company needs to keep in touch with local governments, sports bureaus, CCTV, suppliers, and sponsors frequently. In the communication process, unexpected temporary adjustment cases may happen, or the change of people in charge from the other sides may happen and cause obstructed communication. These situations may affect normal operation of events, increase the difficulty of implementation, and bring risks to normal business operation of the Company.

- The success of the event organisation, management and promotion business depends on the Group's ability to renew the agreements for the existing sports competitions and events organised and to introduce new sports competitions or events. The Group is currently licensed by sports organisations or their authorised agents to organise certain sports competitions for a limited period of time. Therefore, the Group is subject to changes of strategies by those sports organisations, as well as other uncertainties that could result in its failure to renew the existing cooperation agreements with those sports organisations on commercially feasible terms, which in turn may have an adverse effect on the Group's ability to maintain the increase in its revenues and its profitability.

Financial Summary

A summary of the audited results and of the assets and liabilities of the Group for the last five financial years is set out on page 180 of this annual report. For further analysis using financial key performance indicators, please refer to the subsection headed "Financial Review" under the Management Discussion and Analysis section of this annual report.

Post Balance Sheet Events

Save as disclosed above and in Note 44 to the consolidated financial statements of this annual report, the Board was not aware of the occurrence of any event that had a significant impact on the Group's operational, financial and trading prospects since the end of the financial year ended 31 December 2018 up to 29 March 2019.

Compliance with the Relevant Laws and Regulations that have a Significant Impact on the Company (including Environmental Policies and Performance)

The Company complied with the relevant laws and regulations including environmental policies and performance that have a significant impact on the Company in the PRC during the year ended 31 December 2018.

Relationships with Employees, Customers, Suppliers and Others

The Group has good relationships with its employees, customers and suppliers since its establishment.

Employees

Ongoing professional development is important to the employees given the competitive business environment in which the Group operates. To ensure that the employees continue to cultivate skills and knowledge for the fulfillment of their duties and responsibilities, the Group has provided various training programs to its staff. Further information about training attended by the Group's employees and their remuneration package during the year ended 31 December 2018 is set out in the subsection headed "Employees" under the Directors, Senior Management and Employees section of this annual report.

Major Customers and Suppliers

The Group kept excellent relationships with customers and suppliers, and had developed a diversified customer and supplier base during the year ended 31 December 2018.

The Group's five largest customers are engaged in business ranging from the advertising industry, the sports industry to the beverage industry. Among them, the Group has been in cooperative relationships with customers in the advertising industry for 10 years, with customers in the sports industry for 7 years and with customers in the beverage industry for 3 years. During the year ended 31 December 2018, the Group's five largest customers accounted for approximately 37.0% of the Group's total revenue from rendering of services and the Group's largest customer for the year accounted for approximately 12.0% of the Group's revenue from rendering of services.

The Group's five largest suppliers are engaged in business ranging from the television media industry to the sports culture industry. Among them, the Group has been in cooperative relationships with suppliers in the television media industry for 10 years and with suppliers in the sports industry for 7 years. During the year ended 31 December 2018, the Group's five largest suppliers accounted for approximately 61.4% of the Group's total purchases, while the largest supplier for the year accounted for approximately 26.2% of the Group's total purchases. The cooperative relationships with the five largest customers and suppliers laid solid foundation for the operation and development of the Group.

To the knowledge of the Directors, none of the Directors or their respective close associates or any of the Shareholders who owns more than 5% of the number of issued Shares has any interest in any of the Group's five largest customers or suppliers.

RESULTS AND DIVIDENDS

Results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income of this annual report. The Board recommends a payment of final dividend of RMB0.062 per Share for the year ended 31 December 2018 to Shareholders whose names appear on the register of members of the Company on Tuesday, 16 July 2019. The proposed declaration of final dividend is subject to the Shareholders' approval at the 2019 AGM. The Company did not declare payment of an interim dividend for the six months ended 30 June 2018.

USE OF PROCEEDS FROM LISTING

The net proceeds from the issue of new Shares in the global offering of the Company and partial exercise of over-allotment option (after deducting the underwriting fees, capitalised professional service fees and related expenses) as described in the prospectus of the Company dated 28 June 2013 (the "**Prospectus**") amounted to approximately RMB635.9 million (the "**Net Proceeds**").

As at 31 December 2018, the Net Proceeds have been fully utilised as follows:

Uses	Original allocation[1] RMB'000	Revised allocation RMB'000	Utilisation as at 1 January 2018 RMB'000	Utilisation during the year ended 31 December 2018 RMB'000	Utilisation as at 31 December 2018 RMB'000	Utilisation as at 31 December 2018 % of utilisation
Promotion of sports competition business						
• Payment of license fees or registration fees for new sports competitions	50,872	–[3]	–	–	–	N/A
• Research, planning and organisation of sports competitions and events	50,872	50,872	50,872	–	50,872	100%
• Costs and expenses for the training of contestants	25,436	–[3]	–	–	–	N/A
• Costs and expenses for competition venues and facilities	101,744	–[3]	–	–	–	N/A
• Exchange and promotional activities	25,436	25,436	25,436	–	25,436	100%
Development of program production business	190,770	142,412[3]	142,412	–	142,412	100%
Expansion of branding services	63,590	–[3]	–	–	–	N/A
Enhancing proprietary consumer information database and media information database	63,590	63,590	–	63,590	63,590	100%
Payment of the registered capital of Wisdom Events Operation and Management (Zhejiang) Co., Ltd (智美賽事營運管理(浙江)有限公司) ("**Wisdom Events**")[2]	–	290,000[3]	290,000	–	290,000	100%
General working capital	63,590	63,590	63,590	–	63,590	100%
Total	635,900	635,900	572,310	63,590	635,900	100%

Note:

1. As disclosed in the "Future Plans and Use of Proceeds" section of the Prospectus.

2. Formerly known as Wisdom Culture (Zhejiang) Co., Ltd. (智美文化(浙江)有限公司).

3. Net Proceeds have been reallocated for the payment of the registered capital of Wisdom Events, a company focusing on organising sports competitions and related events, the development of sports related products, brand promotion and communication services, which is in line with the original allocation.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2018 are set out in Note 34 to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounted to approximately RMB407,916,000.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or applicable laws of the Cayman Islands where the Company was incorporated.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment for the year ended 31 December 2018 are set out in Note 21 to the consolidated financial statements of this annual report.

BANK BORROWINGS AND INTEREST

There was no bank borrowing of the Company as at 31 December 2018.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2018.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as disclosed in this annual report, the Company has not entered into any equity-linked agreements during the year ended 31 December 2018.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of his/her duty, or supposed duty, in his/her respective offices or trusts.

There is appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company.

DIRECTORS

As at the date of this Directors' Report[1], the information of the Directors is illustrated below:

Name	Title in the Company	Date of Appointment
Ms. Ren Wen	Chairlady, president and executive Director	21 March 2012[2]
Mr. Sheng Jie	Vice chairman and executive Director	2 January 2019[3]
Mr. Song Hongfei	Executive Director	26 August 2016[4]
Ms. Hao Bin	Executive Director	1 June 2017
Mr. Chen Zhijian	Independent non-executive Director	15 February 2018[5]
Mr. Ip Kwok On Sammy	Independent non-executive Director	14 June 2013[6]
Mr. Jin Guoqiang	Independent non-executive Director	14 June 2013[7]

Notes:

1. Mr. Wei Kevin Cheng resigned as an independent non-executive Director with effect from 15 February 2018 and Mr. Zhang Han resigned as the vice chairman of the Board and an executive Director with effect from 2 January 2019.

2. Retired and re-elected at the AGM on 1 June 2017.

3. Appointed as the vice chairman of the Board and an executive Director by the Board.

4. Re-elected at the AGM on 1 June 2017.

5. Re-elected at the AGM on 29 May 2018.

6. Retired and re-elected at the AGM on 28 June 2016.

7. Retired and re-elected at the AGM on 29 May 2018.

As Mr. Sheng Jie was appointed by the Board on 2 January 2019, Mr. Sheng Jie shall hold office only until the forthcoming AGM and shall then be eligible for re-election in accordance with Article 83(3) of the Company's Articles of Association. In addition, Mr. Ip Kwok On Sammy and Mr. Song Hongfei shall retire from office by rotation at the forthcoming AGM in accordance with Article 84 of the Company's Articles of Association. All of them, being eligible, will offer themselves for re-election at the AGM. Details of the Directors to be re-elected at the AGM of the Company are set out in the circular to Shareholders.

None of the Directors who is proposed for re-election at the AGM has any service contract that is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Independence Confirmation of the Independent Non-executive Directors

The Company has received the annual confirmation of independence from each of the independent non-executive Directors and as at the date of this annual report still considers them to be independent.

Biographies of Directors and Senior Management

The biographical details of Directors and senior management of the Company are set out in the Directors, Senior Management and Employees section of this annual report.

Directors' Remuneration

Details of the Directors' remuneration are set out in Note 16(a) to the consolidated financial statements of this annual report. The Directors' remuneration were determined with reference to their respective duties and responsibilities within the Company.

Directors' Contracts

Executive Directors

Each of the existing executive Directors or past executive Director who ceased to be an executive Director during the period from 1 January 2018 to the date of this Directors' Report has entered into a service contract with the Company. Ms. Ren Wen has entered into a service contract with the Company for a term of three years commencing from 20 March 2015 which was renewed for the period commencing from 20 March 2018 to the date of the 2021 AGM; Mr. Zhang Han, who resigned with effect from 2 January 2019, has previously entered into a service contract with the Company for the period commencing from 14 June 2016 to the date of the 2018 AGM (i.e. 29 May 2018) which was renewed for a period commencing from 30 May 2018 to the date of the 2020 AGM; Mr. Sheng Jie, who was appointed with effect from 2 January 2019, has entered into a service contract with the Company for a term of three years commencing from 2 January 2019; Mr. Song Hongfei has entered into a service contract with the Company for the period commencing from 26 August 2016 to the date of the 2018 AGM (i.e. 29 May 2018) which was renewed for a period commencing from 30 May 2018 to the date of the 2021 AGM; whilst Ms. Hao Bin has entered into a service contract with the Company for a term of three years commencing from 1 June 2017.

The remuneration of our existing executive Directors are as follows:

(i) Ms. Ren Wen's remuneration was increased to RMB158,000 per month since 1 March 2018;

(ii) Mr. Sheng Jie's remuneration is RMB128,000 per month since the date of his appointment (i.e. 2 January 2019);

(iii) Mr. Song Hongfei's remuneration was increased to RMB128,000 per month since 1 March 2018; and

(iv) Ms. Hao Bin's remuneration was increased to RMB43,000 per month since 1 March 2018.

Independent Non-executive Directors

Each of the existing independent non-executive Directors or past independent non-executive Director who ceased to be an independent non-executive Director during the year ended 31 December 2018 has entered into an appointment contract with the Company. Each of Mr. Wei Kevin Cheng (who resigned with effect from 15 February 2018), Mr. Ip Kwok On Sammy and Mr. Jin Guoqiang, has entered into an appointment contract with the Company for a term of three years commencing from 14 June 2016; whilst Mr. Chen Zhijian (who was appointed with effect from 15 February 2018) has entered into an appointment contract with the Company for a term of three years commencing from 15 February 2018.

Each of the independent non-executive Directors is entitled to subsidies. Their subsidies are currently as follows:

(i) Mr. Chen Zhijian's subsidy was increased to HK$10,000 per month since 1 March 2018;

(ii) Mr. Ip Kwok On Sammy's subsidy was increased to HK$10,000 per month since 1 March 2018; and

(iii) Mr. Jin Guoqiang's subsidy was increased to HK$10,000 per month since 1 March 2018.

Directors' Rights to Purchase Shares or Debentures of the Company

Save for the share options held by the Directors, at no time during the year ended 31 December 2018 were rights to acquire benefits by means of the acquisition of Shares or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

Save as disclosed in the paragraph headed "Connected Transactions and Structured Contracts" below and note 43 to the consolidated financial statements of this annual report, no transactions, arrangements or contracts of significance to which the Company, or any of its subsidiaries, was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, existed during the year ended 31 December 2018.

Directors' Interests in Competing Business

None of the Directors or any of their respective associates had any interest in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group during the year ended 31 December 2018.

DISCLOSURE OF INTERESTS

Directors and Chief Executive's Interests or Short Positions in the Shares, Underlying Shares and Debentures of the Company and Associated Corporations

As at 31 December 2018, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under section 352 of the SFO, or notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Long position in the Shares

Name of Director	Nature of interest	Number of Shares	Approximate percentage of shareholding interest
Ms. Ren Wen	Founder of discretionary trust[1]	602,780,000	37.84%
	Interest of controlled corporation[2]	81,541,000	5.12%
Mr. Song Hongfei	Beneficial owner	3,730,540[3]	0.23%
Ms. Hao Bin	Beneficial owner	250,000[4]	0.02%

Notes:

1. These 602,780,000 Shares were held by Queen Media Co., Ltd. ("**Queen Media**"). The entire issued share capital of Queen Media was owned by Sky Limited ("**Trust Co**"), whose entire issued share capital was the trust asset of the SKY Trust, which was founded by Ms. Ren Wen as settlor and managed by Credit Suisse Trust Limited as trustee for the SKY Trust, which is a trust established in accordance with the law of Guernsey. The discretionary beneficiaries of the SKY Trust included Ms. Ren Wen and her family members. Accordingly, Ms. Ren Wen was deemed or taken to be interested in all the Shares held by Queen Media for the purpose of the SFO.

2. These 81,541,000 Shares were held by Lucky Go Co., Ltd. Ms. Ren Wen held approximately 78.88% equity interest in Lucky Go Co., Ltd. and was deemed or taken to be interested in all the Shares held by Lucky Go Co., Ltd. for the purpose of the SFO.

3. Among the 3,730,540 Shares that Mr. Song Hongfei was interested in, 215,000 Shares were Share options granted to him on 23 May 2014 under the share option scheme of the Company with an exercise price of HK$3.92 per Share.

4. Among the 250,000 Shares that Ms. Hao Bin was interested in, 150,000 Shares were Share options granted to her on 29 May 2015 under the share option scheme of the Company with an exercise price of HK$8.036 per Share.

(ii) Long position in the shares of associated corporations

Name of director	Name of associated corporation	Class of interest	Approximate percentage of equity interest
Ms. Ren Wen	Beijing Wisdom Media Holding Co., Ltd.[5] (北京智美傳媒股份有限公司) ("**Beijing Wisdom Media**")	Ordinary	52.38%
	Beijing Car Culture Advertising Co., Ltd.[6] (北京智美車文廣告有限公司)	Ordinary	100%
	Beijing Xinchuang Branding Co., Ltd.[7] (北京新創智力品牌管理有限公司)	Ordinary	100%
	Beijing Wisdom Films Culture Media Co., Ltd.[8] (北京智美映畫文化傳媒有限公司)	Ordinary	100%
	Beijing Kuawei Lianzhong Sports Development Co., Ltd.[6] (北京跨維聯眾體育發展有限公司)	Ordinary	100%
	First AI[6]	Ordinary	100%
	Xinglian Lihe[9]	Ordinary	51.02%
Mr. Sheng Jie[10]	Beijing Wisdom Media[5]	Ordinary	8.46%
Mr. Zhang Han[11]	Beijing Wisdom Media[5]	Ordinary	0.18%

Notes:

5. Beijing Wisdom Media is an indirect subsidiary of the Company controlled through structured contracts. For details, please refer to the subsection headed "Connected Transactions and Structured Contracts" in this Directors' Report. Accordingly, Beijing Wisdom Media is an associated corporation of the Company within the meaning of Part XV of the SFO.

6. A wholly-owned subsidiary of Beijing Wisdom Media.

7. A wholly-owned subsidiary of Beijing Wisdom Media prior to its deregistration on 27 February 2019.

8. A wholly-owned subsidiary of Beijing Wisdom Media prior to its deregistration on 18 February 2019.

9. A 51.02% owned subsidiary of First AI.

10. Appointed as an executive Director with effect from 2 January 2019.

11. Ceased to be an executive Director with effect from 2 January 2019.

Save as disclosed above, as at 31 December 2018, none of the Directors, chief executives of the Company and their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept under section 352 of the SFO, or notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Persons' Interests or Short Positions in the Shares, Underlying Shares and Debentures of the Company

So far as is known to the Directors, as at 31 December 2018, according to the register of interest kept by the Company pursuant to section 336 of the SFO, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Substantial Shareholders' long position in the Shares

Name of Substantial Shareholder	Nature of interest	Number of Shares	Approximate percentage of shareholding interest
Credit Suisse Trust Limited	Trustee	602,780,000[1]	37.84%
Brock Nominees Limited	Nominee	602,780,000[1]	37.84%
Tenby Nominees Limited	Nominee	602,780,000[1]	37.84%
Trust Co	Interest of controlled corporation	602,780,000[1]	37.84%
Queen Media	Beneficial owner	602,780,000[1]	37.84%

Note:

1. These 602,780,000 Shares were held by Queen Media. The entire issued share capital of Queen Media was owned by Trust Co, whose entire issued share capital was held as to 50% by Brock Nominees Limited and 50% by Tenby Nominees Limited. The entire issued share capital of Trust Co was the trust asset of the SKY Trust, which was founded by Ms. Ren Wen as settlor and managed by Credit Suisse Trust Limited as trustee for the SKY Trust, which is a trust established in accordance with the law of Guernsey. The discretionary beneficiaries of the SKY Trust included Ms. Ren Wen and her family members.

Other persons' long position in the Shares

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of shareholding interest
Lucky Go Co., Ltd.[2]	Beneficial owner	81,541,000	5.12%

Note:

2. As at 31 December 2018, Ms. Ren Wen was a director of Lucky Go Co., Ltd.

Save as disclosed above, as at 31 December 2018, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

Background

The Company conditionally adopted a share option scheme (the "**Share Option Scheme**") on 14 June 2013 for the purpose of recognising and acknowledging the contributions the eligible participants had or may have made to the Group, which became effective on the Listing Date. The Board may, at its discretion, grant options to subscribe for Shares ("**Options**") pursuant to the Share Option Scheme to substantial Shareholders, Directors (including executive Directors, non-executive Directors and independent non-executive Directors), directors of the Company's subsidiaries, employees of the Group and any other persons (including consultants or advisers) whom the Board considers, in its absolute discretion, have contributed or will contribute to the Group.

The Directors were authorised to grant Options and to allot, issue and deal with the Shares pursuant to the exercise of Options granted under the Share Option Scheme and to take all such steps as may be necessary and/or desirable to implement and give effect to the Share Option Scheme. The maximum number of Shares issuable upon exercise of all Options granted under the Share Option Scheme and any other share option schemes of the Company (excluding, for this purpose, Shares issuable upon exercise of Options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or such other share option schemes of the Company) must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering (as defined in the Prospectus), being 160,000,000 Shares, unless otherwise approved by the Shareholders in general meeting and/or complying with such other requirements prescribed under the Articles of Association of the Company, the Listing Rules and/or any other applicable laws and regulations from time to time.

The maximum number of Shares (i.e. 160,000,000 Shares) in respect of which Options may be granted under the Share Option Scheme represents approximately 10.04% of the total number of the issued Shares as at the date of this annual report (assuming no Shares were issued and/or repurchased after 29 March 2019, being the latest practicable date for ascertaining certain information in this annual report (the "**Latest Practicable Date**")). As at 31 December 2018, the number of Shares available for issue under the Share Option Scheme (excluding those Options granted but not exercised) amounted to 158,820,000 Shares, representing approximately 9.97% of the total number of the issued Shares as at the date of this annual report (assuming no Shares were issued and/or repurchased after the Latest Practicable Date).

An offer for the grant of Options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee to the Company on acceptance of the offer for the grant of Option(s) is HK$1.00. The total number of Shares issued and to be issued upon exercise of Options granted to any participant under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of Options in excess of such limit must be separately approved by the Shareholders in general meeting with such grantee and his/her associates abstaining from voting. The Share Option Scheme will remain in force for a period of ten years commencing on the date of adoption, which is 14 June 2013, and shall expire at the close of business on the business date immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

There is no minimum period prescribed under the terms of the Share Option Scheme for which an Option must be held before it can be exercised, and the period during which an Option may be exercised will be determined by the Board in its absolute discretion. However, no Options shall be exercised 10 years after they have been granted. The subscription price of a Share in respect of a particular Option shall be not less than the highest of (a) the closing price of the Shares on the daily quotation sheet of the Stock Exchange on the date of offer; (b) the average closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of offer; and (c) the nominal value of a Share.

Options granted

Options granted on 23 May 2014

1,210,000 Options were granted under the Share Option Scheme on 23 May 2014 to employees of the Group. The exercise price of the Options granted is HK$3.92 per Share and the closing price of the Shares immediately before the date on which the Options were granted was HK$4.01. Pursuant to the terms of the grant of such Options, 25% of the Options has become exercisable on each of 23 May 2015, 23 May 2016, 23 May 2017 and 23 May 2018, respectively, subject to the satisfaction of the individual performance assessment of the grantees for the relevant years. For details, please refer to the announcement of the Company dated 23 May 2014.

Among the 25% Options (i.e. 302,500 Options) which became exercisable on 23 May 2018 (subject to the satisfaction of the individual performance assessment of the grantees), 95,000 Options became exercisable by the respective grantee and the remaining 207,500 Options were cancelled and/or forfeited in prior year(s) due to departure of such grantee(s).

For the year ended 31 December 2018, no Options granted on 23 May 2014 has been exercised, cancelled or lapsed. As at 31 December 2018, 380,000 Options remained outstanding and were exercisable by the respective grantee immediately until 22 May 2024.

Options granted on 29 May 2015

2,500,000 Options were granted under the Share Option Scheme on 29 May 2015 to employees of the Group. The exercise price of the Options granted is HK$8.036 per Share and the closing price of the Shares immediately before the date on which the Options were granted was HK$7.95. Pursuant to the terms of the grant of such Options, 25% of the Options has/will become exercisable on each of 29 May 2016, 29 May 2017, 29 May 2018 and 29 May 2019, respectively, subject to the satisfaction of the individual performance assessment of the grantees for the relevant years. For details, please refer to the announcement of the Company dated 29 May 2015.

Among the 25% Options (i.e. 625,000 Options) which became exercisable on 29 May 2018 (subject to the satisfaction of the individual performance assessment of the grantees), 200,000 Options became exercisable by the respective grantee and the remaining 425,000 Options were cancelled/lapsed/forfeited during the Reporting Period and prior year(s) due to departure of such grantee(s).

For the year ended 31 December 2018, no Option granted on 29 May 2015 has been exercised and 100,000 Options have been cancelled/lapsed/forfeited due to departure of such grantee(s). As at 31 December 2018, 800,000 Options remained outstanding, among which 600,000 Options were exercisable by the respective grantee immediately until 28 May 2025 and the remaining 200,000 Options will become exercisable on 29 May 2019 until 28 May 2025 subject to the satisfaction of the individual performance assessment of the grantees for the relevant year.

Options granted during the year ended 31 December 2018

No Option was granted by the Company during the year ended 31 December 2018.

Value of Options granted

The estimated fair value of the Options granted on 23 May 2014 and 29 May 2015 using the Black-Scholes pricing model were set out in Note 39 to the consolidated financial statements in this annual report.

Movement during the Reporting Period

Particulars of the outstanding Options under the Share Option Scheme at the beginning and at the end of the year ended 31 December 2018 and Options granted, exercised, cancelled, forfeited or lapsed during such period are as follows:

Identity/Category of participant	Date of grant	Exercise price per share	Vesting Date and Exercise Period	Balance as at 1 January 2018	Granted during the period	Exercised during the period	Cancelled/ Forfeited/Lapsed during the period	Balance as at 31 December 2018	Price per Share immediately before the date of grant	Price per Share on exercise date
Mr. Song Hongfei	23 May 2014	HK$3.92	From the date the exercise conditions are met[1] to 22 May 2024	215,000	-Nil-	-Nil-	-Nil-	215,000	HK$4.01	N/A[2]
Ms. Hao Bin	29 May 2015	HK$8.036	From the date the exercise conditions are met[1] to 28 May 2025	150,000	-Nil-	-Nil-	-Nil-	150,000	HK$7.95	N/A[2]
Employees of the Group	23 May 2014	HK$3.92	From the date the exercise conditions are met[1] to 22 May 2024	165,000	-Nil-	-Nil-	-Nil-	165,000	HK$4.01	N/A[2]
Employees of the Group	29 May 2015	HK$8.036	From the date the exercise conditions are met[1] to 28 May 2025	750,000	-Nil-	-Nil-	(100,000)	650,000	HK$7.95	N/A[2]
Total				1,280,000	-Nil-	-Nil-	(100,000)	1,180,000		

Notes:

1. Such Options shall be exercisable subject to the satisfaction of the individual performance assessment of the respective grantee for the relevant years. For details of the vesting schedule, please refer to the paragraphs headed "Options granted on 23 May 2014" and "Options granted on 29 May 2015" above.

2. No Option had been exercised during the year ended 31 December 2018.

PURCHASE, SALES 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.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, for the year ended 31 December 2018 and as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

NON-COMPETITION UNDERTAKINGS AND CONTRACTS OF SIGNIFICANCE

As disclosed in the Prospectus, Ms. Ren Wen and Queen Media, the controlling Shareholders, have undertaken to avoid being engaged in or taking part in the business which may compete with the principal business of the Company.

The Company's independent non-executive Directors have reviewed the compliance of the controlling Shareholders with the deed of non-competition dated 24 June 2013 and are of the view that each of Ms. Ren Wen and Queen Media has complied with the above undertakings during the year ended 31 December 2018.

Save for the structured contracts described in the paragraph headed "Connected Transactions and Structured Contracts" below, there were no contracts of significance between the Company, or any of its subsidiaries, and the controlling Shareholders or any of their subsidiaries during the year ended 31 December 2018.

CONNECTED TRANSACTIONS AND STRUCTURED CONTRACTS

Background

As the business operation of Beijing Wisdom Media constitutes business activities which are subject to prohibition or restriction on foreign investment under the PRC laws (the "**Restricted Business**"), the Company cannot acquire equity interest in Beijing Wisdom Media. As a result, the Group has entered into a series of contracts ("**Structured Contracts**") designed to provide Beijing Wisdom Sports Industry Co., Ltd. (formerly known as Beijing Wisdom Culture Co., Ltd.) ("**Beijing Wisdom Sports**"), a wholly-owned subsidiary of the Company, and thus the Group with effective control over Beijing Wisdom Media and, to the extent permitted by PRC law and regulations, grant the right to the Group to acquire the equity interests in Beijing Wisdom Media upon the Listing. The Structured Contracts were entered into on 24 June 2013 pursuant to which all material business activities of Beijing Wisdom Media are controlled and supervised by Beijing Wisdom Sports and all economic benefits and risks arising from the business of Beijing Wisdom Media are transferred to the Group. The Structured Contracts constitute non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Operating entities of the Group controlled through the Structured Contracts

During the year ended 31 December 2018, the following are operating entities of the Group controlled through the Structured Contracts:

(i) Beijing Wisdom Media, a limited liability company incorporated in the PRC and principally engaged in production, distribution of TV variety shows and feature films, television program planning, design, production, agency and distributing advertisement, and organisation of cultural and artistic communication events in the PRC;

(ii) Beijing Car Culture Advertising Co., Ltd. (北京智美車文廣告有限公司), a limited liability company incorporated in the PRC and a direct wholly-owned subsidiary of Beijing Wisdom Media, principally engaged in providing advertising services in the PRC;

(iii) Beijing Xinchuang Branding Co., Ltd. (北京新創智力品牌管理有限公司), a limited liability company incorporated in the PRC and a direct wholly-owned subsidiary of Beijing Wisdom Media, principally engaged in providing advertising and related services in the PRC but was deregistered on 27 February 2019;

(iv) Beijing Wisdom Films Culture Media Co., Ltd. (北京智美映畫文化傳媒有限公司), a limited liability company incorporated in the PRC and a direct wholly-owned subsidiary of Beijing Wisdom Media, principally engaged in providing advertising and related services in the PRC but was deregistered on 18 February 2019;

(v) Beijing Kuawei Lianzhong Sports Development Co., Ltd. (北京跨維聯眾體育發展有限公司), a limited liability company incorporated in the PRC and a direct wholly-owned subsidiary of Beijing Wisdom Media, principally engaged in operation of sports events, organisation of exhibitions and displays and organisation of functions relating to culture and art;

(vi) First AI, a limited liability company incorporated in the PRC and a direct wholly-owned subsidiary of Beijing Wisdom Media, principally engaged in the service provision for the live broadcasting of large-scale tournaments and marathon timing; and

(vii) Xinglian Lihe, a limited liability company incorporated in the PRC and an indirect 51.02% owned subsidiary of Beijing Wisdom Media, principally engaged in the service provision for the live broadcasting and video production of large-scale tournaments.

Registered owners of Beijing Wisdom Media

As at 31 December 2018, the registered shareholders of Beijing Wisdom Media are as follows:

Name of shareholder	Number of shares held	Shareholding percentage
Ren Wen (任文)	31,428,000	52.38%
Shi Libin (史立斌)	5,940,000	9.9%
Sheng Jie (盛杰)	5,076,000	8.46%
Shenzhen Capital Group Co., Ltd.(深圳市創新投資集團有限公司)	3,495,600	5.826%
Beijing Hongtu Jiahui Venture Investment Co., Ltd (北京紅土嘉輝創業投資有限公司)	2,504,400	4.174%
Cao Yi (曹怡)	1,350,000	2.25%
Shen Guirong (沈貴榮)	1,080,000	1.8%
Wang Zhiqiang (王志強)	1,080,000	1.8%
Wang Jianchang (王建昌)	1,080,000	1.8%
Peng Xiaoguang (彭曉光)	1,080,000	1.8%
Li Zhihua (李志華)	1,080,000	1.8%
Guo Ruilin (郭瑞林)	1,080,000	1.8%
Chen Feihua (陳飛華)	1,080,000	1.8%
Gong Tai (龔泰)	540,000	0.9%
Qin Ying (秦鷹)	540,000	0.9%
Chen Li (陳力)	540,000	0.9%
Sun Fulin (孫福麟)	324,000	0.54%
Sun Jingli (孫京麗)	270,000	0.45%
Dai Peng (戴鵬)	270,000	0.45%
Zhang Han (張晗)	108,000	0.18%
Han Fang (韓芳)	27,000	0.045%
Xi Wang (希望)	27,000	0.045%
Total	60,000,000	100%

Major terms of the Structured Contracts

The Structured Contracts currently in force comprise five agreements namely: (i) the exclusive consulting and service agreement; (ii) the exclusive business operating agreement; (iii) the share pledge agreement; (iv) the exclusive option agreement; and (v) the powers of attorney, which were entered into between/among Beijing Wisdom Sports, Beijing Wisdom Media and/or the existing shareholders of Beijing Wisdom Media. Details of the respective salient terms of the five agreements are as follows:

- ***Exclusive consulting and service agreement***

  Beijing Wisdom Sports and Beijing Wisdom Media entered into an exclusive consulting and service agreement dated 24 June 2013, pursuant to which Beijing Wisdom Sports shall, on an exclusive basis, provide Beijing Wisdom Media with consulting and other related services. Pursuant to the agreement, Beijing Wisdom Sports shall, amongst other things, (i) form strategically co-operative relationship and share the clients' data with Beijing Wisdom Media and promote its business; (ii) provide marketing services and advisory services in respect of the TV program production business and pro-actively seek opportunities for Beijing Wisdom Media in respect of the advertising business and sports-related business and submit joint bids with Beijing Wisdom Media for the provision of media services; (iii) provide staff training; (iv) provide the development and transfer of technology and advisory services in respect of the technology; (v) provide public relations services; (vi) provide market research, analysis and advisory services in respect of the PRC and overseas marketing communications industry; and (vii) provide mid-short term marketing development and marketing planning service.

  The service fee which Beijing Wisdom Sports is entitled to receive under the agreement shall represent the total revenue of Beijing Wisdom Media, after deducting all operational costs and relevant applicable taxes.

  The agreement has become effective on 24 June 2013 and shall continue to be in full force and effect until and unless it is terminated by Beijing Wisdom Sports by giving Beijing Wisdom Media a 30 days' prior written notice of termination. Beijing Wisdom Media shall have no right to terminate the agreement.

- ***Irrevocable power of attorney***

  All of the shareholders of Beijing Wisdom Media executed an irrevocable power of attorney dated 24 June 2013, which enables the Company and the directors of the Company and their successors to exercise all the powers of the shareholders (including their successors and transferees) of Beijing Wisdom Media. Pursuant to the irrevocable power of attorney, the Company and the directors of the Company and their successors shall exercise rights of all of the shareholders of Beijing Wisdom Media including but not limited to right to propose a general meeting, rights of voting, sale or transfer of all or part of their interests in Beijing Wisdom Media, signing minutes and filing documents with relevant companies registry.

  The Company has the power to designate the person as nominated by the executive Directors or the Board to exercise the rights to the Company under the irrevocable power of attorney.

  The irrevocable power of attorney has become effective on 24 June 2013 and shall continue to be in full force and effect until the termination of the exclusive business operating agreement.

- ***Exclusive business operating agreement***

  Beijing Wisdom Sports, Beijing Wisdom Media and all of its shareholders (including their successors and transferees) entered into an exclusive business operating agreement dated 24 June 2013, pursuant to which Beijing Wisdom Media agreed, and all of the aforesaid shareholders agreed to cause Beijing Wisdom Media and its subsidiaries, not to enter into any transaction which might substantially affect Beijing Wisdom Media's assets, business, employees, rights, obligations or operations unless prior written approval of Beijing Wisdom Sports or its designated wholly-owned subsidiary of the Company have been obtained. Pursuant to the agreement, all of the shareholders of Beijing Wisdom Media agreed to, amongst other things, appoint candidate(s) nominated by Beijing Wisdom Sports as director(s) of Beijing Wisdom Media and transfer the bonus, distributable dividend and any other income or interest receivable by them at nil consideration to Beijing Wisdom Sports.

  The agreement has become effective on 24 June 2013 and shall continue to be in full force and effect until and unless it is terminated by Beijing Wisdom Sports by giving all shareholders of Beijing Wisdom Media a 30 days' prior written notice of termination. Beijing Wisdom Media shall have no right to terminate the agreement.

- ***Exclusive option agreement***

  Beijing Wisdom Sports, Beijing Wisdom Media and all of its shareholders (including their successors and transferees) entered into an exclusive option agreement dated 24 June 2013, pursuant to which all of the shareholders of Beijing Wisdom Media agreed to grant an irrevocable option to Beijing Wisdom Sports for it or its designated wholly-owned subsidiary of the Company to acquire all or any of their equity interests in Beijing Wisdom Media in compliance with the terms of the agreement.

  Pursuant to the agreement, Beijing Wisdom Media has undertaken to perform certain acts or refrain from performing certain other acts in relation to its business operation, carrying out corporate actions and entry into transactions, unless it has obtained prior approval from Beijing Wisdom Sports or its designated wholly-owned subsidiary of the Company.

  Pursuant to the agreement, all of the shareholders of Beijing Wisdom Media have also undertaken to, amongst other things, maintain all of their rights of equity interests in Beijing Wisdom Media and to sign such documents and take such actions as necessary or appropriate to preserve such rights.

  The agreement has become effective on 24 June 2013 and shall continue to be in full force and effect until and unless it is terminated by Beijing Wisdom Sports by giving Beijing Wisdom Media and all of its shareholders a 30 days' prior written notice of termination. Neither of Beijing Wisdom Media nor any of its shareholders shall have any right to terminate the agreement.

- ***Share pledge agreement***

  Beijing Wisdom Sports and all of the shareholders (including their successors and transferees) of Beijing Wisdom Media entered into a share pledge agreement dated 24 June 2013, pursuant to which all of the shareholders of Beijing Wisdom Media agreed to pledge their equity interests in Beijing Wisdom Media to Beijing Wisdom Sports to secure the performance of all of the obligations of Beijing Wisdom Media and/or all of its shareholders under the aforesaid exclusive business operating agreement and exclusive consulting and service agreement.

Pursuant to the agreement, all of the shareholders of Beijing Wisdom Media have undertaken to Beijing Wisdom Sports, amongst other things, not to transfer their equity interests in Beijing Wisdom Media (save and except the transfer of shares to Beijing Wisdom Sports or its designated wholly-owned subsidiary of the Company), not to create or allow any guarantee or pledge to be created thereon that may affect the rights and interest of Beijing Wisdom Sports and to comply with all applicable PRC laws and regulations in relation to the share pledge.

Under the agreement, if the shareholders of Beijing Wisdom Media have defaulted on the terms of the agreement, Beijing Wisdom Sports may exercise its rights to acquire the equity interests in Beijing Wisdom Media in accordance with the terms of the agreement, unless all of the shareholders of Beijing Wisdom Media have cured such default or have taken remedial actions as necessary.

The agreement shall be in full force and effect until and unless it is terminated by Beijing Wisdom Sports by giving all of the shareholders of Beijing Wisdom Media a 30 days' prior written notice of termination. None of the shareholders of Beijing Wisdom Media shall have any right to terminate the agreement.

Reasons for using the Structured Contracts and the significance to the Group

The business operations of Beijing Wisdom Media involve the production of TV programs and it currently holds a TV program production licence. Such business is subject to foreign investment restrictions under the applicable PRC laws. As such, the Group cannot acquire the equity interest in Beijing Wisdom Media. Having regard to such foreign investment restrictions, the Structured Contracts were designed to provide Beijing Wisdom Sports and, thus the Group, with effective control over the financial and operational policies of Beijing Wisdom Media and (to the extent permitted by PRC laws and regulations) the right to acquire the equity interest in Beijing Wisdom Media.

Revenue and assets subject to the Structured Contracts

The revenue, net profit and total assets subject to the Structured Contracts are set out as follows:

	Year ended/As at 31 December			
	2018		2017	
	RMB'000	**% of total of the Group**	RMB'000	% of total of the Group
Revenue subject to the Structured Contracts	**35,059**	**7.7%**	5,748	1.5%
Net loss subject to the Structured Contracts	**(3,866)**	**(7.4%)**	(10,269)	(10.1%)
Total assets subject to the Structured Contracts	**589,394**	**45.1%**	654,666	49.1%

As a net loss subject to the Structured Contracts of approximately RMB3.9 million was recognised for the year ended 31 December 2018, the service fee which Beijing Wisdom Sports is entitled to receive for the year ended 31 December 2018 was RMB nil.

Risks associated with the Structured Contracts

The risks associated with the Structured Contracts were set out on pages 34 to 38 of the Prospectus and are highlighted as follows:

- if the PRC government finds that the agreements that establish the structure for operating the services of the Group in the PRC do not comply with PRC governmental restrictions on foreign investment in TV program production, or if these regulations or the interpretation of existing regulations change in the future, the Group could be subject to severe penalties or be forced to relinquish its interests in those operations;

- the Group relies on contractual arrangements with Beijing Wisdom Media and its subsidiaries for its operations in the PRC, which may not be as effective in providing operational control as direct ownership;

- any failure by Beijing Wisdom Media and its subsidiaries or their respective shareholders to perform their obligations under their contractual arrangements with the Group would have a material adverse effect on the business and financial condition of the Group;

- contractual arrangements that subsidiaries of the Group have entered into with Beijing Wisdom Media may be subject to scrutiny by the PRC tax authorities and a finding that the Group or Beijing Wisdom Media and its subsidiaries owe additional taxes could substantially reduce the combined net income of the Group and the value of the investment by the Company's shareholders;

- the shareholders, directors and executive officers of Beijing Wisdom Media and its subsidiaries may have potential conflicts of interest with the Company, which may materially and adversely affect the business of the Group;

- the Group may rely on dividends and other distributions on equity paid by the Group's PRC subsidiaries to fund any cash and financing requirements the Group may have. Any limitation on the ability of the PRC subsidiaries to pay dividends to the Group could have a material adverse effect on the Group's ability to conduct its business; and

- PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent the Group from using the proceeds of the global offering of the Company to make loans to the PRC subsidiaries and Beijing Wisdom Media and its subsidiaries or to make additional capital contributions to the PRC subsidiaries of the Group, which may materially and adversely affect the liquidity of the Group and the ability of the Group to fund and expand its business.

In light of the above risks associated with the Structured Contracts, the Group has adopted a set of procedures, systems and internal control measures to ensure the sound and effective operation of the Group and the implementation of the Structured Contracts. Such procedures, systems and internal control measures include: (i) regular discussions (on a no less frequent than a quarterly basis) of matters relating to compliance and regulatory enquiries from governmental authorities, if any, by the Board at regular and extraordinary Board meetings; (ii) regular report (on a no less frequent than a monthly basis) by relevant business units and operation divisions of the Group to the senior management of the Company in relation to the compliance and performance conditions under the Structured Contracts and other related matters; (iii) regular report by the senior management of the Company to the Board on any non-compliance issues; (iv) retaining legal adviser and/or other professional to assist the Group to deal with specific issues arising from the Structured Contracts, if so required; and (v) regular review by the independent non-executive Directors on an annual basis on the compliance of the Structured Contracts and the confirmation of the same being disclosed in the annual reports of the Company.

In addition, to address the risk of potential conflicts of interest of certain shareholders, directors and executive officers of Beijing Wisdom Media and its subsidiaries who are also directors of the Company, it has been provided for under the exclusive business operating agreement that all of the shareholders of Beijing Wisdom Media had agreed to give priority to, and not to cause any damage to, the interests of Beijing Wisdom Sports and the Company if there are any potential conflicts of interest amongst Beijing Wisdom Sports, the Company, Beijing Wisdom Media and its shareholders. Ms. Ren, being the chairlady of the Company, has been appointed as the chairlady of the board of directors of Beijing Wisdom Media and has taken up the leading role in the governance of implementation of the financial and operating policies in respect of Beijing Wisdom Media in order to ensure that Beijing Wisdom Media will be managed and operated according to the Group's policies and the terms of the Structured Contracts.

Change of circumstances

There had been no material change in the arrangements under the Structured Contracts and/or the circumstances under which they were adopted. As of the date of this report, the foreign investment restrictions which gave rise to the arrangements under the Structured Contracts are still in existence.

Opinion of the Directors

The Directors (including the independent non-executive Directors) consider that the Structured Contracts and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and are on normal commercial terms after arm's length negotiation, and consider that the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to Rule 14A.42 (3) of the then effective Chapter 14A of the Listing Rules (now Rule 14A.105 of the Listing Rules), the Company has applied to the Stock Exchange, and the Stock Exchange has granted a waiver from strict compliance with: (i) announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Structured Contracts; (ii) the requirement of setting a maximum aggregate annual value (i.e. an annual cap) for the fees payable to Beijing Wisdom Sports under the Structured Contracts; and (iii) the requirement of limiting the term of the Structured Contracts to three years or less.

The independent non-executive Directors have reviewed the above connected transactions and confirmed that these continuing connected transactions have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Company than those available to or provided from (as appropriate) independent third parties; and

(3) in accordance with relevant agreements governing them that are fair and reasonable and in the interests of the Shareholders as a whole.

The independent non-executive Directors also confirmed that since the Listing Date and up to 31 December 2018:

(1) the continuing connected transactions under the Structured Contracts have been entered into in accordance with the relevant provisions of the Structured Contracts, so that the revenue generated by Beijing Wisdom Media has been mainly retained by the Group;

(2) no dividends or other distributions have been made by Beijing Wisdom Media to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and

(3) no new contract was entered into to renew or reproduce the framework of the Structured Contracts.

Confirmation from the Independent Auditor of the Company

RSM Hong Kong, the Company's independent auditor, was engaged to report on the Group's continuing connected transactions during the year ended 31 December 2018 in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditor has issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The auditor has reported to the Board and confirmed that for the year ended 31 December 2018, nothing has come to their attention that causes them to believe that the continuing connected transactions set out above: (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group; and (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

The Company has complied with the disclosure requirements, if any, under Chapter 14A of the Listing Rules in respect of the above connected transactions.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions of the Group are set out in Note 43 to the consolidated financial statements of this annual report, and none of which constitutes a non-fully exempted connected transaction under Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE

The principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 16 to 30 of this annual report.

ENVIRONMENTAL POLICIES AND SUSTAINABLE DEVELOPMENT

The environmental policies of the Group and its performance for the year ended 31 December 2018 are set out in the Environmental, Social and Governance Report on pages 31 to 45 of this annual report.

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.

AUDIT COMMITTEE

The Company has established its 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 Directors' Report, 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.

PROFESSIONAL TAX ADVICE RECOMMENDED

If any Shareholder is unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares, the Shareholder is advised to consult an expert.

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.

On behalf of the Board

Ren Wen
Chairlady and Executive Director

Hong Kong, 29 March 2019

Directors, Senior Management and Employees

BIOGRAPHIES

Executive Directors

Ms. Ren Wen (任文女士), also known as Ms. Ren Guozun (任國尊女士), aged 43, is the founder of the Group. She founded Beijing Wisdom Media in 2007, and led the Company to its listing on the Main Board of the Stock Exchange in July 2013. Ms. Ren was appointed as the deputy chairlady of Chinese Sports Culture Promotion Federation (中國體育文化促進會) in 2014. Ms. Ren obtained a diploma in journalism from the Beijing Broadcasting Institute (北京廣播學院) (currently known as the Communication University of China (中國傳媒大學)) in January 2000. Ms. Ren is a director of Queen Media Co., Ltd., Sky Limited, Tenby Nominees Limited and Brock Nominees Limited, each of which has an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

Mr. Sheng Jie (盛杰先生), aged 43, is one of the co-founders of the Group. He was previously appointed as an executive Director on 21 March 2012 and has also acted as the Company's joint company secretary and a member of the Remuneration Committee of the Board. He had resigned from his directorship in the Company on 26 August 2016 and left the Group in order to serve as the vice chairman of Shenzhen Zhimei Investment Co., Ltd. (深圳智美投資有限公司), a company held by the controlling Shareholder. In July 2018, he re-joined the Group as a vice president of the Group and was subsequently appointed as an executive Director on 2 January 2019. Mr. Sheng has over 16 years of experience in the marketing communications industry, sports communications industry as well as the corporate finance and capital markets sector. Mr. Sheng obtained a bachelor's degree in English language from Shandong University in July 1998 and obtained a diploma in business management from the University of International Business and Economics in July 2009.

Mr. Song Hongfei (宋鴻飛先生), aged 48, has rich experience in the management of sports competitions. Mr. Song joined the Group in August 2012, served as a vice president and was subsequently appointed as an executive Director on 26 August 2016. Mr. Song participated in and led nearly a hundred sports competitions of the Group, including National Basketball League (全國男子籃球聯賽), China Classic Car Rally (老式汽車中國拉力賽), FIM FreeStyle Motocross World Championship (國際摩聯花式極限世錦賽), China Dragon Boat Race (中華龍舟賽) and Dragon Boat World Cup (龍舟世界杯), Hot Air Balloon Championship (中國熱汽球公開賽), Guangzhou Marathon (廣州馬拉松), Hangzhou Marathon (杭州馬拉松), Kunming Marathon (昆明馬拉松), Changsha Marathon (長沙馬拉松), Shenyang Marathon (瀋陽馬拉松) and Season Run (四季跑). Prior to joining the Group, Mr. Song served as a deputy general manager in a subsidiary of China Sports Industry Group Co., Ltd. (中體產業集團股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600158) from February 2000 to July 2012 and participated in the organisation of a number of international multi-sport events, including Beijing Olympic Games, East Asian Games, Guangzhou Asian Games and Universiade Shenzhen. Mr. Song obtained a bachelor's degree in physical education from Beijing Sport University in July 1996.

Ms. Hao Bin (郝彬女士), aged 38, joined the Group in December 2010 and served as the deputy general manager of the Company. Ms. Hao was subsequently appointed as a joint company secretary of the Company and an executive Director on 7 November 2016 and 1 June 2017, respectively. Ms. Hao has been the general manager of the quality control centre of the Company and assistant president of the Company since 6 August 2018 and 28 January 2019, respectively. Before this, Ms. Hao engaged in works related to securities laws in a law firm in China and has extensive experience in legal compliance of listed companies. Ms. Hao obtained a bachelor's degree in law from Peking University in 2006, and a master's degree in civil and commercial law from China University of Political Science and Law in 2010. Ms. Hao also holds the PRC Certificate of Professional Lawyer (中國境內律師職業資格證書) and the PRC Certificate of Board Secretary of Listed Companies (中國境內上市公司董秘證書).

Independent Non-executive Directors

Mr. Chen Zhijian (陳志堅先生), aged 43, was appointed as an independent non-executive Director on 15 February 2018. Mr. Chen has been a partner of Shanghai Certified Public Accountants (上會會計師事務所) since 2015. Mr. Chen was a partner of Zhongzhun Certified Public Accountants (中准會計師事務所) from 2014 to 2015, a senior partner of Shenzhen Bangde Certified Public Accountants (深圳邦德會計師事務所) from 2008 to 2014, and the internal control head of the financial department of Foryou Corporation of Huizhou (惠州市華陽集團) from 2003 to 2007. Mr. Chen has around 16 years of experience in audit, accounting and financial management. Mr. Chen graduated from Henan College of Finance and Taxation (河南財政稅務學校) in 2000, majoring in financial accounting.

Mr. Ip Kwok On Sammy (葉國安先生), aged 56, was appointed as an independent non-executive Director on 14 June 2013. Mr. Ip is the administrative director of Westpac LED Lighting, Inc. and chief executive officer of Global Link Distribution, Inc. Mr. Ip is also the honored chairman of Hong Kong Small and Medium Enterprises Alliance Association, a member of the Chinese People's Political Consultative Conference of Guiping, Guangxi Province, PRC, a member of International Dark Sky Association and a member of Illuminating Engineering Society. Mr. Ip obtained his MBA from University of Wales, Newport in 2004.

Mr. Jin Guoqiang (金國強先生), aged 73, was appointed as an independent non-executive Director on 14 June 2013. Mr. Jin has been an independent non-executive director of Beijing Wisdom Media since April 2011. Mr. Jin has been the executive vice president and secretary general of the Television Branch of the China Advertising Association (中國廣告協會電視分會) since 2001. Before that, Mr. Jin served as the vice president of the Shaanxi Television Channel (陝西電視臺) from 1992 to June 2001. Mr. Jin was appointed as an advisor to the Cross Media Institute (泛媒體分賬研究院) in 2011. Mr. Jin has also been an executive officer of the Association of China Commercial Enterprise Management (中國商業企業管理協會市場行銷分會) and a member of its expert committee since December 2009. Mr. Jin was a member of the adjudication panel of the 2010 China Advertising Great-Wall Awards for Advertisers (2010年廣告主長城獎), and a member of the expert's commission of the 17th China International Advertising Festival (中國國際廣告節) in 2010.

Senior Management

Ms. Ren Wen (任文女士), our chairlady, executive Director and president. For Ms. Ren's biography, please refer to the subsection headed "Executive Directors" above.

Mr. Sheng Jie (盛杰先生), our vice chairman, executive Director and vice president. For Mr. Sheng's biography, please refer to the subsection headed "Executive Directors" above.

Mr. Song Hongfei (宋鴻飛先生), our executive Director and vice president. For Mr. Song's biography, please refer to the subsection headed "Executive Directors" above.

Ms. Hao Bin (郝彬女士), our executive Director, joint company secretary, assistant president of the Company and general manager of the quality control centre of the Company. For Ms. Hao's biography, please refer to the subsection headed "Executive Directors" above.

Joint Company Secretaries

Ms. Hao Bin (郝彬女士), our executive Director, joint company secretary, assistant president of the Company and general manager of the quality control centre of the Company. For Ms. Hao's biography, please refer to the subsection headed "Executive Directors" above.

Ms. Chan Sau Ling (陳秀玲女士), was appointed as our joint company secretary on 30 August 2018. Ms. Chan is a director of Corporate Services Division of Tricor Services Limited. Ms. Chan is a Chartered Secretary and a Fellow of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. Ms. Chan has extensive experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. *(Note: The Company has engaged Tricor Services Limited as external service provider who nominated Ms. Chan Sau Ling as the Company's join company secretary.)*

EMPLOYEES

As at 31 December 2018, the Group had 187 employees.

The Group implements a remuneration policy that is competitive in the industry, and pays commissions and discretionary bonus to its sales personnel and other employees with reference to performance of the Group and individual employees. The total cost of the employees for the year ended 31 December 2018 amounted to approximately RMB26.3 million. Remuneration for employees is based on their qualification, experience, job nature, performance and market condition.

The remuneration package of the employees includes salary, bonus and other cash benefits and benefits-in-kind. As required by PRC regulations, the Company participates in various employee benefits plans that are organised by local governments, including housing, pension, medical and unemployment benefit plans, and makes contributions to the employee benefits plans at specified percentages of the salaries, bonuses and certain allowances of the employees.

In accordance with the corporate development strategies along with the practical business needs, the Group has provided various training programs to its staff according to their positions via a number of channels, including induction courses for new staff, training of professional knowledge in connection with finance, internal control and evaluation of the value of each position, etc. as well as different special trainings. The Group also selects potential management staff to receive advance trainings in domestic leading business schools regularly, aiming at enhancing their all-round capability.

Directors and qualified employees of the Company may be granted Options to subscribe for Shares in accordance with the terms and conditions of the Share Option Scheme. As at 31 December 2018, the Company has granted certain Options to its employees under the Share Option Scheme. For further details, please refer to the subsection headed "Share Option Scheme" in the Directors' Report section of this annual report.

Independent Auditor's Report

RSM

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TO THE SHAREHOLDERS OF WISDOM SPORTS GROUP
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Wisdom Sports Group (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 80 to 179, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are:

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of goodwill, intangible assets, and property, plant and equipment As at 31 December 2018, included in the Group's consolidated statement of financial position were, before testing for impairment, goodwill of RMB191,584,000, intangible assets of RMB94,140,000, and property, plant and equipment of RMB7,244,000 which were attributable to cash-generating units ("**CGUs**") engaging in events operation and marketing, and sports services. Management performs an annual impairment assessment of its goodwill and the associated intangible assets, and property, plant and equipment. Management compares the carrying values of these CGUs to which the goodwill, intangible assets, and property, plant and equipment have been allocated against discounted cash flow forecasts to determine the amount of impairment loss which should be recognised, if any. The preparation of discounted cash flow forecasts involves the exercise of significant management judgement, particularly in estimating the long-term revenue growth rates and the discount rates applied. We identified assessing the potential impairment of goodwill, intangible assets, and property, plant and equipment as a key audit matter because the impairment assessment prepared by management is complex and contains judgemental assumptions, particularly the long-term revenue growth rates and discount rates applied, which could be subject to management bias in their selection.	**Our procedures included:** – Assessing the external valuer's qualifications, experience and expertise and considering their objectivity and independence; – Evaluating the Group's identification of CGUs, and the value of goodwill, intangible assets, and property, plant and equipment allocated to CGUs and assessing the methodology applied by management in the preparation of the discounted cash flow forecasts with reference to the requirements of the prevailing accounting standards; – Evaluating the discounted cash flow forecasts prepared by management by comparing specific data and significant assumptions in the discounted cash flow forecasts with the financial budget which was approved by the Board of Directors. Our evaluation has taken into account our understanding of the Group's future business plans and the sports-related industry sectors; and – Comparing the revenue and operating costs included in prior period's discounted cash flow forecasts with the current year's performance in order to assess the reasonableness of prior period's forecast and making enquires of management as to the reasons for any significant variation identified.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade and bills receivables We identified the impairment of trade and bills receivables as a key audit matter due to the significant management estimation and judgement required in determining the expected credit losses. As described in note 6(b)(ii) to the consolidated financial statements, the impairment of trade and bills receivables is considered a key source of estimation uncertainty. Details of allowance for impairment of trade and bills receivables are disclosed in notes 6(b)(ii) and 7(c) to the consolidated financial statements.	**Our procedures included:** – Assessing the external valuers' qualifications, experience and expertise, and considering their objectivity and independence; – Assessing whether trade and bills receivables was appropriately grouped by the management into categories with shared credit risk characteristics; – Testing on a sample basis the accuracy and completeness of the data used by the management to develop historical loss rates and assessing the sufficiency, relevance and reliability of that data; – Testing on a sample basis the aging of trade and bills receivables; and – With the assistance of our in-house valuation specialists: (i) assessing the appropriateness of the impairment model used by the Group; (ii) considering the appropriateness of forward-looking adjustments to historical loss rates; (iii) testing the calculation of historical loss rates; and (iv) testing the calculation of the expected credit loss provisions.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of loans to companies We identified the impairment of loans to companies as a key audit matter due to the significant management estimation and judgement required in determining the expected credit losses. The Company’s disclosures about loans to companies are included in notes 6(b)(ii), 7(c) and 31(c) to the consolidated financial statements.	**Our procedures included:** – Assessing the external valuers’ qualifications, experience and expertise, and considering their objectivity and independence; – Evaluating management’s assessment of whether there was a significant increase in credit risk on the loans to companies since initial recognition; and – With the assistance of our in-house valuation specialists: (i) assessing the appropriateness of the impairment model used by the Group; (ii) testing inputs to the model to market data; (iii) assessing the appropriateness of forward-looking adjustments to the model; and (iv) testing the calculation of the expected credit loss provisions.

OTHER INFORMATION

The Directors are responsible for the Other Information. The Other Information comprises all of the information included in the Company's 2018 annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the Directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Liu Eugene.

RSM Hong Kong
Certified Public Accountants
Hong Kong
29 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Continuing operations			
Revenue	9	**455,363**	371,463
Cost of services		**(329,539)**	(240,845)
Gross profit		**125,824**	130,618
Other income	10	**87,997**	26,113
Other losses	11	**(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	13	**(67,371)**	(35,460)
Profit for the year from continuing operations	14	**51,994**	32,288
Discontinued operations	18		
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

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 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	20		
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 the 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 the consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	21	**25,695**	20,870
Investment properties	22	**16,952**	18,212
Goodwill	23	**191,584**	105
Intangible assets	24	**98,532**	8,868
Equity investments	26	**29,510**	54,850
Other receivables	31	**–**	50,000
Investments in associates	27	**19,820**	92,271
Deferred tax assets	37	**5,116**	2,042
Other non-current assets		**15,365**	–
Total non-current assets		**402,574**	247,218
Current assets			
Inventories	28	**4,124**	–
Financial assets at fair value through profit or loss	29	**60,344**	–
Trade and bills receivables	30	**147,781**	172,607
Other receivables	31	**223,715**	469,301
Prepayments and other current assets	32	**51,526**	118,829
Cash and cash equivalents	33	**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	34	**2,454**	2,454
Reserves	36	**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

At 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	37	**23,535**	–
Current liabilities			
Trade payables	38	**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 the consolidated financial statements.

Approved by the Board of Directors on 29 March 2019 and are signed on its behalf by:

Ren Wen
Director

Song Hongfei
Director

Consolidated Statement of Changes In Equity

For the year ended 31 December 2017

	Attributable to owners of the Company										
	Share capital RMB'000 *(note 34)*	Share premium RMB'000 *(note 36 (b)(i))*	Share-based payments reserve RMB'000 *(note 36 (b)(ii))*	Statutory reserve RMB'000 *(note 36 (b)(iii))*	Other reserve RMB'000 *(note 36 (b)(iv))*	Fair value reserve (recycling) RMB'000 *(note 36 (b)(v))*	Fair value reserve (non-recycling) RMB'000 *(note 36 (b)(v))*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000 *(note 25)*	Total equity RMB'000
At 1 January 2017	2,479	337,352	4,284	39,740	81,902	–	–	731,723	1,197,480	–	1,197,480
Total comprehensive income for the year	–	–	–	–	–	(1,890)	–	101,588	99,698	–	99,698
Payment of 2017 interim dividend *(note 19)*	–	(60,532)	–	–	–	–	–	–	(60,532)	–	(60,532)
Statutory reserve appropriation	–	–	–	45,586	–	–	–	(45,586)	–	–	–
Share-based payments	–	–	1,203	–	–	–	–	–	1,203	–	1,203
Shares repurchased and cancelled	(25)	(25,051)	–	–	–	–	–	–	(25,076)	–	(25,076)
Changes in equity for the year	(25)	(85,583)	1,203	45,586	–	(1,890)	–	56,002	15,293	–	15,293
At 31 December 2017	2,454	251,769	5,487	85,326	81,902	(1,890)	–	787,725	1,212,773	–	1,212,773

For the year ended 31 December 2018

	Attributable to owners of the Company										
	Share capital RMB'000 *(note 34)*	Share premium RMB'000 *(note 36 (b)(i))*	Share-based payments reserve RMB'000 *(note 36 (b)(ii))*	Statutory reserve RMB'000 *(note 36 (b)(iii))*	Other reserve RMB'000 *(note 36 (b)(iv))*	Fair value reserve (recycling) RMB'000 *(note 36 (b)(v))*	Fair value reserve (non-recycling) RMB'000 *(note 36 (b)(v))*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000 *(note 25)*	Total equity RMB'000
At 1 31 December 2017	2,454	251,769	5,487	85,326	81,902	(1,890)	–	787,725	1,212,773	–	1,212,773
Effect on adoption of HKFRS 9 *(note 3(b))*	–	–	–	–	–	1,890	(1,414)	2,392	2,868	–	2,868
Restated balances at 1 January 2018	2,454	251,769	5,487	85,326	81,902	-	(1,414)	790,117	1,215,641	–	1,215,641
Total comprehensive income for the year	–	–	–	–	–	–	(29,076)	46,372	17,296	5,622	22,918
Acquisition of a subsidiary through step acquisition of an associate *(note 40(a))*	–	–	–	–	–	–	–	–	–	24,385	24,385
Acquisition of a subsidiary *(note 40(b))*	–	–	–	–	–	–	–	–	–	6,577	6,577
Payment of 2017 final dividend *(note 19)*	–	(98,762)	–	–	–	–	–	–	(98,762)	–	(98,762)
Statutory reserve appropriation	–	–	–	4,200	–	–	–	(4,200)	–	–	–
Share-based payments	–	–	207	–	–	–	–	–	207	–	207
Changes in equity for the year	–	(98,762)	207	4,200	–	–	(29,076)	42,172	(81,259)	36,584	(44,675)
At 31 December 2018	2,454	153,007	5,694	89,526	81,902	–	(30,490)	832,289	1,134,382	36,584	1,170,966

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 changes in equity is not restated. Details of changes in accounting policies are disclosed in note 3 to these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax			
Continuing operations		**119,365**	67,748
Discontinued operation		**–**	92,400
		119,365	160,148
Adjustments for:			
Amortisation of intangible assets	24	**13,554**	3,268
Depreciation of investment properties	22	**1,260**	1,260
Depreciation of property, plant and equipment	21	**4,408**	3,053
Loss on disposal of intangible assets	11	**1,927**	–
Loss on disposal of property, plant and equipment	11	**775**	–
Allowance for impairment of trade and bills receivables	11	**11,705**	6,581
Allowance for impairment of other receivables	11	**4,107**	225
Fair value gain on financial assets at fair value through profit of loss	11	**(17,258)**	–
Impairment of goodwill	23	**105**	–
Impairment of investment in an associate	27	**3,767**	–
Interest income from treasury products	10	**(12,204)**	(11,988)
Interest income from loans to companies	10	**(4,025)**	(573)
Interest income from fund investments in partnerships	10	**(5,767)**	(3,667)
Interest income from short-term bank deposits	10	**(3,702)**	(668)
Property, plant and equipment under barter transactions not received		**(420)**	–
Remeasurement of pre-existing interest in an associate for step acquisition	11	**3,072**	–
Share compensation from investment in an associate	10	**(56,288)**	–
Share of results of associates		**15,630**	2,765
Share of result of a joint venture		**–**	1,772
Gain on disposal of a joint venture	11	**–**	(1,301)
Gain on disposal of a subsidiary	18	**–**	(92,400)
Share-based payments expenses	39	**207**	1,203
Impairment of available-for-sale financial assets	11	**–**	3,260
Exchange (gains)/losses	11	**(796)**	1,033
Operating profit before working capital changes		**79,422**	73,971

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Increase in inventories		(3,842)	–
Decrease in trade and bills receivables		26,995	29,900
Decrease in prepayments and other current assets		75,907	1,111
Decrease in other receivables		49,048	53,970
Decrease in trade payables		(19,283)	(34,503)
Decrease in other payables and accrued expenses		(32,435)	(1,223)
Decrease in contract liabilities		(4,567)	(2,393)
Increase in financial assets at fair value through profit or loss		(43,086)	–
Cash generated from operations		128,159	120,833
Income tax paid		(75,167)	(43,905)
Net cash generated from operating activities		52,992	76,928
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary	40(b)	(168,599)	–
Acquisition of a subsidiary through step acquisition of an associate	40(a)	3,353	–
Acquisition of assets through acquisition of a subsidiary		–	(8,000)
Decrease in amounts due from related companies		3,525	2,150
Interest income from treasury products		18,812	5,796
Interest income from loans to companies		4,078	323
Interest income from fund investments in partnerships		4,433	3,000
Interest income from short-term bank deposits		4,294	1,649
Purchases of intangible assets	24	–	(281)
Purchases of property, plant and equipment		(1,310)	(953)
Payments for investments in associates		–	(83,956)
Dividend received from a joint venture		–	3,069
Proceed from disposal of a joint venture		–	22,500
Proceed from disposal of a subsidiary in 2017		40,600	55,400
Proceeds from disposal of property, plant and equipment		654	–
Proceeds from disposal of treasury products		1,542,000	945,000
Prepayment for intangible assets		(560)	–
Prepayment for property, plant and equipment		(14,385)	–
Purchase of available-for-sale financial assets		–	(21,000)
Purchase of treasury products		(1,287,000)	(1,000,000)
Payment for fund investment in a partnership		(50,000)	(50,000)
Redemption of fund investment in a partnership		50,000	–
Loans to companies		(43,730)	(65,000)
Repayments received for loans to companies		31,730	–
Net cash generated from/(used in) investing activities		137,895	(190,303)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of 2017 interim dividend	19	**–**	(60,532)
Payment of 2017 final dividend	19	**(98,762)**	–
Share repurchased and cancelled	34(a)	**–**	(25,076)
Net cash used in financing activities		**(98,762)**	(85,608)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**92,125**	(198,983)
Effect of foreign exchange rate changes		**796**	(1,033)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	33	**324,434**	524,450
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	33	**417,355**	324,434

Notes to the Consolidated Financial Statements

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 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.

The Company is an investment holding company. The principal activities of its major subsidiaries are set out in note 25 to the consolidated financial statements.

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 to the consolidated financial statements 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).

3. CHANGES IN ACCOUNTING POLICIES (continued)

(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

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9 *Financial instruments* (continued)

	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 and measurement 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;

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9 *Financial instruments* (continued)

(i) Classification and measurement of financial assets and financial liabilities (continued)

- 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.

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9 *Financial instruments* (continued)

(i) Classification and measurement of financial assets and financial liabilities (continued)

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

	HKAS 39 carrying amount at 31 December 2017 RMB'000	Reclassification RMB'000	Remeasurement RMB'000	**HKFRS 9 carrying amount at 1 January 2018 RMB'000**
Financial assets carried at amortised cost				
Trade and bills receivables	172,607	–	(627)	**171,980**
Other receivables (Non-current)	50,000	–	(172)	**49,828**
Other receivables (Current)	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.

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9 *Financial instruments* (continued)

(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 on financial instruments 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.

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9 *Financial instruments* (continued)

(ii) Expected credit losses (continued)

Measurement of ECLs (continued)

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.

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9 *Financial instruments* (continued)

(ii) Expected credit losses (continued)

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 applied the simplified transition approach and 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.

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9 *Financial instruments* (continued)

(ii) Expected credit losses (continued)

Opening balance adjustment (continued)

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.

The adoption of 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 ending 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.

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

HKFRS 16 *Leases* (continued)

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 disclosed in note 42(a) to the consolidated financial statements, the Group's future minimum lease payments under non-cancellable operating leases amounted to RMB23,680,000 as at 31 December 2018. 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. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value).

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 6 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities, including structured entities, over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary; and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, unless the investments are classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Business combination and goodwill (continued)

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate; and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group has assessed the type of each of its joint arrangements and determined them to all be joint ventures.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture; and (ii) the Group's entire carrying amount of that joint venture (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the Company's presentation and functional currency. The Directors consider that choosing RMB as the presentation currency best suits the needs of the shareholders and investors.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(f) Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	5%
Leasehold improvements	Over the relevant lease terms
Furniture, fixtures and equipment	20%-33.3%
Motor vehicles	20-25%

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, plant and equipment (continued)

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(g) Leases

The Group as lessee

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

The Group as lessor

(i) Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(h) Intangible assets

Intangible assets represent the operating right, software and others, and brand which are stated in the consolidated statement of financial position, being amortised on a straight-line basis over their estimated useful lives of 3 to 10 years, 5 to 10 years and 10 years respectively from the date they are available for use.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any impairment losses.

Intangible assets acquired through acquisition of a subsidiary are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired through acquisition of a subsidiary with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Both the estimated useful life and method of amortisation are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Investment properties

Investment properties are buildings held to earn rentals and/or for capital appreciation. Investment properties are measured initially at its cost including all direct costs attributable to the properties.

After initial recognition, the investment properties are stated at cost less accumulated depreciation and impairment losses. The investment properties are depreciated on a straight-line basis at 4.45% per annum.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

(k) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such case, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(l) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Recognition and derecognition of financial instruments (continued)

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(m) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

Debt 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.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial assets (continued)

Equity investments

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 earnings. 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.

Policy prior to 1 January 2018

Investments in securities held for trading were classified as financial assets measured at FVTPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, cash and cash equivalents are classified in this category.

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Dividend income from equity investments and interest income from debt securities calculated using the effective interest method were recognised in profit or loss respectively. Foreign exchange gains and losses arising from debt securities were also recognised in profit or loss. When the investments were derecognised or impaired, the cumulative gain or loss recognised in equity was reclassified to profit or loss.

(n) Trade and bills and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Cash and cash equivalents

Cash and cash equivalents comprises cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL.

(p) Discontinued operations

A discontinued operation is a component of the Group (i.e. the operations and cash flows of which can be clearly distinguished from the rest of the Group) that either has been disposed of, or is classified as held for sale, and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the component meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the component is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises:

– The post-tax profit or loss of the discontinued operation; and

– The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(q) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(r) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Revenue recognition

Revenue is recognised when control over service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(i) Events Operation and Marketing

Revenue from Events Operation and Marketing is mainly derived from marketing services in conjunction with domestic and international sports-related competitions, including corporate sponsorship income and sales of commercial rights of events. The Group recognised revenue upon the completion of the events with all services provided.

For barter transactions in which physical goods are received in exchange for the advertising services provided in the events, the Group recognises revenue at fair value of goods received.

(ii) Sports Services

Revenue from Sports Services is mainly derived from providing services to government, marathon runners and media companies in conjunction with domestic and international sports-related competitions, including events organisation income, events video production, sales of the broadcasting right of events and individual consumption. The Group recognised revenue upon the completion of the events with all services provided.

(iii) Advertising Program and Branding

Advertising revenue derived from advertising service fees related to arranging broadcast of the customers' advertisement during selected media suppliers' television programs is recognised net of rebates, ratably over the specific time slots of each advertisement when broadcasted.

In determining whether the Group should recognise revenue on a gross or net basis, the Group assesses the terms of its customer agreements and gives further consideration to key indicators, such as inventory risk, latitude in establishing price, variability of its earnings, ability to change the programs media supplier provides and to whom they are provided. Where most of the indicators suggest that the Group acts as a principal when providing the service, bearing inventory risk and meeting other gross basis indicators, revenue is recognised on a gross basis. Where the Group acts in capacity of an agent rather than at the principal in a transaction, without bearing any inventory risk and meeting other net basis indicators, revenue recognised is the net amount of commission made.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

Rental income is recognised on a straight-line basis over the lease term.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Employee benefits

(i) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(ii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(v) Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

(w) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(x) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Taxation (continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Impairment of non-financial assets

Goodwill is reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

The carrying amounts of other non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss and other comprehensive income to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset/CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGU whose impairment is being measured.

Impairment losses for CGU are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(z) Impairment of financial assets

The Group recognises allowances for impairment for ECL on trade and bills and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade and bills receivables. The expected credit losses 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, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For other receivables, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on other receivables has not increased significantly since initial recognition, the Group measures the allowance for impairment for other receivables at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of trade and bills receivables. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on other receivables that are possible within 12 months after the reporting date.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Impairment of financial assets (continued)

Significant increase 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 a default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this assessment, 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default;

(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; or

(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Impairment of financial assets (continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following 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.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Impairment of financial assets (continued)

Measurement and recognition of ECL

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment loss or reversal of an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Policy prior to 1 January 2018

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

In addition, for trade and bills receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Impairment of financial assets (continued)

Measurement and recognition of ECL (continued)

Policy prior to 1 January 2018 (continued)

Only for trade and bills receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade and bills receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

In respect of available-for-sale equity securities, an increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in fair value reserve (recycling); impairment losses are not reversed through profit or loss.

(aa) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(ab) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

6. CRITICAL JUDGEMENTS AND KEY ESTIMATES

(a) Critical judgements in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(i) Revenue recognition

The Group determines whether to recognise advertising revenue on a gross or net basis by assessing the terms of the service agreements, the facts and circumstances of the relationship with its customer and other specific indicators (see note 5(t)(iii)). These indicators are subjective in nature and require judgment from management.

(ii) Structured contracts

On 24 June 2013, Beijing Wisdom Culture Co., Ltd., a wholly-owned subsidiary of the Company, whose name was changed to Beijing Wisdom Sports Industry Co., Ltd. ("**Beijing Wisdom Sports**"), entered into a series of contractual arrangements with Beijing Wisdom Media Holding Co., Ltd. ("**Beijing Wisdom Media**") and its direct shareholders, comprising the exclusive consulting and service agreement, irrevocable power of attorney, exclusive business operating agreement, exclusive option agreement and share pledge agreement (collectively the "**Structured Contracts**").

The arrangements of the Structured Contracts enable Beijing Wisdom Sports to exercise effective control over Beijing Wisdom Media and obtain substantially all residual economic benefits of Beijing Wisdom Media and its subsidiaries.

Beijing Wisdom Media effectively became an indirect subsidiary of the Company and the Group consolidated the financial results of Beijing Wisdom Media and its subsidiaries.

Management has consulted with its PRC legal counsel in assessing Beijing Wisdom Sports's ability to control Beijing Wisdom Media under PRC laws and regulations. Any changes in PRC laws, rules and regulations that affect Beijing Wisdom Sports's ability to control Beijing Wisdom Media might preclude the Group from consolidating Beijing Wisdom Sports and its subsidiaries in the future.

6. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

(a) Critical judgements in applying accounting policies (continued)

(iii) Business model assessment

Classification and measurement of financial assets depends on the results of the solely payments of principal and interest and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or FVTOCI that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the year.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment as at 31 December 2018 was RMB25,695,000 (2017: RMB20,870,000).

6. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

(b) Key sources of estimation uncertainty (continued)

(ii) Impairment of trade and bills receivables and other receivables (including loans to companies)

Prior to the adoption of HKFRS 9 on 1 January 2018, the management of the Group assesses at the end of each reporting period whether there is any objective evidence that trade and bills receivables, and other receivables (including loans to companies) are impaired. The provision policy for allowance for impairment of trade and bills receivables, and other receivables (including loans to companies) of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of trade and bills receivables, and other receivables (including loans to companies), including the current creditworthiness and the past collection history of each customer and borrower. If the financial conditions of customers and borrowers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

As at 31 December 2017, the carrying amount of trade and bills receivables, and other receivables (including loans to companies) is RMB691,908,000 (net of allowance for impairment of RMB25,332,000).

Since the adoption of HKFRS 9 on 1 January 2018, the management of the Group estimates the amount of impairment loss for ECL on trade and bills receivables, and other receivables (including loans to companies) based on the credit risk of trade and bills receivables, and other receivables (including loans to companies). The amount of the impairment loss of trade and bills receivables, and other receivables (including loans to companies) based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2018, the carrying amount of trade and bills receivables, and other receivables (including loans to companies) is RMB371,496,000 (net of allowance for impairment of RMB37,746,000).

(iii) Income taxes

The Group is subject to income taxes in the PRC. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, RMB67,371,000 (2017: RMB35,460,000) of income tax was charged to profit or loss based on the estimated profit from continuing operations.

6. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

(b) Key sources of estimation uncertainty (continued)

(iv) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was RMB191,584,000 (2017: RMB105,000) with impairment loss of RMB105,000 (2017: RMB Nil) recognised during the year.

7. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency, RMB, of the Group's entities.

(b) Price risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities quoted on the Stock Exchange.

For sensitivity analysis, if equity prices had been 10% higher/lower (2017: Nil), profit after tax and total comprehensive income for the year ended 31 December 2018 would increase/decrease by RMB6,034,000 (2017: RMB Nil). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade and bills receivables) and from its financing activities, including deposits with banks and financial institutions. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

7. FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk (continued)

Trade and bills receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade and bills receivables are usually due within 180 days from the date of billing. Debtors with balances past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures allowance for impairment of trade and bills receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the allowance for impairment of trade and bills receivables based on historical credit loss experience is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade and bills receivables as at 31 December 2018:

	Expected loss rate %	Gross carrying amount RMB'000	Allowance for impairment of trade and bills receivable RMB'000
With 1 month	0%	63,704	–
1 to 3 months	0%	26,761	–
4 to 6 months	0%	42,210	–
7 to 12 months	1.23%	9,256	114
1 to 2 years	44.37%	9,616	4,267
Over 2 years	97.89%	29,210	28,595
		180,757	32,976

Expected loss rates are based on actual loss experience over the last 2 half-year periods. These rates are adjusted to reflect differences between economic conditions during the year over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

7. FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk (continued)

Trade and bills receivables (continued)

Prior to 1 January 2018

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment. At 31 December 2017, the allowance for impairment of trade and bills receivables was RMB20,680,000. The aging analysis of trade and bills receivables past due but not impaired was as follows:

	2017 RMB'000
With 1 month	–
1 to 3 months	3,420
7 to 12 months	–
1 to 2 years	3,000
Over 2 years	8,507
	14,927

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no allowance for impairment of trade and bill receivables was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Movement in the allowance for impairment of trade and bills receivables during the year is as follows:

	RMB'000
At 1 January 2017 under HKAS 39	14,099
Allowance in 2017 under HKAS 39	6,581
At 31 December 2017 under HKAS 39	20,680
Effect on adoption of HKFRS 9	627
Restated balance at 1 January 2018 under HKFRS 9	**21,307**
Allowance in 2018 under HKFRS 9	**11,705**
Write-off in 2018 under HKFRS 9	**(36)**
At 31 December 2018 under HKFRS 9	**32,976**

7. FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk (continued)

Other receivables

All of the Group's other receivables are considered to have low credit risk, and the allowance for impairment recognised during the year was therefore limited to 12-month expected losses. Management considers other receivables to be of low credit risk as they have a low risk of default and the counterparties have a strong capacity to meet its contractual cash flow obligations in the near term.

The allowance for impairment of other receivables as at 31 December 2017 reconciles to the opening allowance for impairment of other receivables on 1 January 2018 and to the closing allowance for impairment of other receivables as at 31 December 2018 as follows:

	RMB'000
At 1 January 2017 under HKAS 39	4,427
Allowance in 2017 under HKAS 39	225
At 31 December 2017 under HKAS 39	4,652
Effect on adoption of HKFRS 9	398
Restated balance at 1 January 2018 under HKFRS 9	**5,050**
Allowance in 2018 under HKFRS 9	**4,107**
Write-off in 2018 under HKFRS 9	**(4,387)**
At 31 December 2018 under HKFRS 9	**4,770**

7. FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	On demand or within 1 year RMB'000
At 31 December 2018	
Trade payables	**67,454**
Other payables	**10,337**
	77,791
At 31 December 2017	
Trade payables	68,782
Other payables	12,920
	81,702

(e) Categories of financial instruments at 31 December

	2018 RMB'000	2017 RMB'000
Financial assets:		
Equity investments:		
Equity investments designated at FVTOCI	**29,510**	–
Available-for-sale financial assets	**–**	54,850
Financial assets at FVTPL	**60,344**	–
Financial assets measured at amortised cost	**788,851**	–
Loans and receivables (including cash and cash equivalents)	**–**	966,342
Financial liabilities:		
Financial liabilities measured at amortised cost	**83,393**	86,959

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

8. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

During the year ended 31 December 2018 and 2017, there was no transfer between Level 2 and Level 3. The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 December 2018

Description	Fair value measurements as at 31 December 2018 Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	31 December 2018 Total RMB'000
Recurring fair value measurements:				
Financial assets				
Equity investments designated at FVTOCI				
– Listed equity securities *(note 26)*	–	9,991	–	9,991
– Unlisted equity securities *(note 26)*	–	–	19,519	19,519
Financial assets at FVTPL				
– Listed equity securities *(note 29)*	60,344	–	–	60,344
Total	60,344	9,991	19,519	89,854

8. FAIR VALUE MEASUREMENTS (continued)

(a) Disclosures of level in fair value hierarchy at 31 December 2017

Description	Fair value measurements as at 31 December 2017 using: Level 2 RMB'000	31 December 2017 Total RMB'000
Recurring fair value measurements:		
Financial assets		
Available-for-sale financial assets		
– Listed equity securities *(note 26)*	19,110	19,110
Total	19,110	19,110

(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2018:

The Group's Deputy Head of Finance Department is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes and reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the senior management of the Group and the Board of Directors regularly.

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value 31 December 2018 RMB'000 Assets	Fair value 31 December 2018 RMB'000 Liabilities	Fair value 31 December 2017 RMB'000 Assets	Fair value 31 December 2017 RMB'000 Liabilities
Equity investments – Listed equity securities	Market approach	Share transaction	**9,991**	**–**	19,110	–

For Level 3 fair value measurements, the Group has engaged Avista Business Consulting (Beijing) Co., Ltd ("**Avista Group**"), an independent qualified professional valuer, to perform the valuations.

8. FAIR VALUE MEASUREMENTS (continued)

(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2018: (continued)

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value as at 31 December RMB'000
Equity investments designated at FVTOCI- unlisted equity securities	Market comparable companies	Price-to-sales ratio of market comparable companies	4.2	Increase	**19,519**

As at 31 December 2017, the unlisted available-for-sale financial assets were measured under HKAS 39 at cost less impairment as there were no quoted market prices in active markets and their fair value cannot be reliably measured.

(c) Reconciliation of financial assets measured at fair value based on Level 3:

	31 December 2018 RMB'000
Equity investments designated at FVTOCI – unlisted equity securities	
At 1 January 2018 (under HKFRS 9)	**39,476**
Net unrealised losses recognised in other comprehensive income during the year	**(19,957)**
At 31 December	**19,519**

From 1 January 2018, any gains or losses arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income under HKFRS 9. Upon disposal of the unlisted equity securities, the amount accumulated in other comprehensive income is transferred directly to retained profits. Prior to 1 January 2018, any gains/(losses) arising from the disposal of the unlisted equity securities were presented in the "Other losses" in the consolidated statement of profit or loss and other comprehensive income.

9. REVENUE

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

	2018 RMB'000	2017 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 RMB'000	2017 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.

10. OTHER INCOME

	2018 RMB'000	2017 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 40(a))*	**56,288**	–
Others	**209**	236
	87,997	26,113

10. OTHER INCOME (continued)

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.

11. OTHER LOSSES

	2018 RMB'000	2017 RMB'000
Continuing operations		
Allowance for impairment of trade and bills receivables *(note 7(c))*	(11,705)	(6,581)
Allowance for impairment of other receivables *(note 7(c))*	(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 *(note 27)*	(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 40(a))*	(3,072)	–
Others	(1,118)	1,028
	(8,417)	(8,770)

12. 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 18).

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.

The accounting policies of the operating segments are the same as those described in note 5 to the consolidated financial statements.

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.

12. SEGMENT INFORMATION (continued)

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

12. SEGMENT INFORMATION (continued)

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

Revenue from major customer(s):

Revenue from customer(s) in relation to continuing operations contributing over 10% of the total revenue of the Group is as follows:

	2018 RMB'000	2017 RMB'000
Customer A	**54,717**	–
Customer B	**46,255**	64,398

Revenue of Customer A was generated from Advertising Program and Branding segment, and revenue of Customer B was generated from Events Operation and Marketing segment.

13. 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 *(note 37)*	**(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 RMB'000	2017 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

14. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

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

	2018 RMB'000	2017 RMB'000
Amortisation of intangible assets *(note 24)*	**13,554**	3,268
Depreciation of property, plant and equipment *(note 21)*	**4,408**	3,053
Depreciation of investment properties *(note 22)*	**1,260**	1,260
Fair value gain on financial assets at fair value through profit or loss *(note 11)*	**(17,258)**	–
Loss on disposal of intangible assets *(note 11)*	**1,927**	–
Loss on disposal of property, plant and equipment *(note 11)*	**775**	–
Share compensation from investment in an associate *(note 40(a))*	**(56,288)**	–
Remeasurement of pre-existing interest in an associate for step acquisition *(note 40(a))*	**3,072**	–
Operating lease charges		
– Office premises	**7,788**	7,389
Staff costs *(note 15)*		
– 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	**3,727**	5,600
Allowance for impairment of trade and bills receivables *(note 7(c))*	**11,705**	6,581
Allowance for impairment of other receivables *(note 7(c))*	**4,107**	225
Impairment of available-for-sale financial assets	**–**	3,260
Impairment of investment in an associate *(note 27)*	**3,767**	–

15. EMPLOYEE BENEFITS EXPENSE

	2018 RMB'000	2017 RMB'000
Continuing operations		
Employee benefits expense:		
Salaries, bonuses and allowances	**22,568**	22,644
Retirement benefit scheme contributions	**3,574**	4,271
Share-based payments *(note 39)*	**207**	1,203
	26,349	28,118

15. EMPLOYEE BENEFITS EXPENSE (continued)

(a) Five highest paid individuals

The five highest paid individuals in the Group during the year included three Directors with one Director as at 31 December 2018 resigned on 2 January 2019 (2017: three Directors and one Director who ceased to act as Executive Director but continues to be the Senior Vice President of the Company) whose Directors' emoluments are reflected in the analysis presented in note 16(a). The emoluments of two individuals (2017: two), including emoluments of one individual who was appointed as the Director on 2 January 2019, are set out below:

	2018 RMB'000	2017 RMB'000
Fees	–	22
Salaries and allowances	2,145	1,986
Discretionary bonus	–	–
Share-based payments	–	–
Retirement benefit scheme contributions	48	15
	2,193	2,023

The emoluments fell within the following bands:

	Number of individuals 2018	 2017
HK$0 to HK$1,000,000	1	1
HK$1,000,001 to HK$2,000,000	1	1
	2	2

16. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The emoluments of every Director are set out below:

	Emoluments paid or receivable in respect of a person's services as a Director, whether of the Company or its subsidiary undertaking				
	Fees RMB'000	Salaries and allowances RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Equity-settled share option expenses RMB'000	Total RMB'000
Executive Directors					
Ms. Ren Wen	97	2,075	68	–	2,240
Mr. Zhang Han *(note (e))*	97	1,625	68	–	1,790
Mr. Song Hongfei	97	1,462	68	7	1,634
Ms. Hao Bin *(note (a))*	97	507	102	35	741
Independent Non-executive Directors					
Mr. Ip Kwok On Sammy	97	–	–	–	97
Mr. Jin Guoqiang	97	–	–	–	97
Mr. Chen Zhijian *(note (c))*	91	–	–	–	91
Mr. Wei Kevin Cheng *(note (d))*	27	–	–	–	27
Total for the year ended 31 December 2018	700	5,669	306	42	6,717

16. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' emoluments (continued)

	Emoluments paid or receivable in respect of a person's services as a Director, whether of the Company or its subsidiary undertaking				
	Fees RMB'000	Salaries and allowances RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Equity-settled share option expenses RMB'000	Total RMB'000
Executive Directors					
Ms. Ren Wen	52	1,772	68	–	1,892
Mr. Zhang Han *(note (e))*	52	1,381	68	–	1,501
Mr. Song Hongfei	52	1,231	67	29	1,379
Ms. Hao Bin *(note (a))*	30	147	55	71	303
Dr. Shen Wei *(note (b))*	22	442	6	–	470
Non-executive Directors					
Mr. Jin Haitao *(note (b))*	22	–	–	–	22
Mr. Xu Jiongwei *(note (b))*	22	–	–	–	22
Independent Non-executive Directors					
Mr. Ip Kwok On Sammy	52	–	–	–	52
Mr. Jin Guoqiang	52	–	–	–	52
Mr. Wei Kevin Cheng *(note (d))*	208	–	–	–	208
Total for the year ended 31 December 2017	564	4,973	264	100	5,901

Notes:

(a) Ms. Hao Bin was appointed as an Executive Director at the annual general meeting of the Company on 1 June 2017.

(b) Mr. Jin Haitao, Dr. Shen Wei and Mr. Xu Jiongwei retired at the annual general meeting of the Company on 1 June 2017.

(c) Mr. Chen Zhijian was appointed as an Independent Non-executive Director on 15 February 2018.

(d) Mr. Wei Kevin Cheng resigned on 15 February 2018.

(e) Mr. Zhang Han resigned on 2 January 2019.

16. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' emoluments (continued)

During the years, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group, or as compensation for loss of office, whether directly or indirectly, subsisting at the end of the year or any time during the year.

No Director waived or has agreed to waive any emoluments for the years ended 31 December 2018 and 2017.

(b) Directors' material interests in transactions, arrangements or contracts

Except for the transaction with a related company in which Ms. Ren Wen, the Executive Director of the Company, had a material interest mentioned in note 43, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company, any of its fellow subsidiaries, its holding companies or its subsidiaries was a party and in which the Directors of the Company or the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

17. RETIREMENT BENEFIT SCHEMES CONTRIBUTIONS

The Group operates a mandatory provident fund scheme (**the "MPF Scheme"**) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,500 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

18. 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.

18. DISCONTINUED OPERATIONS (continued)

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.

19. 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.

20. 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 RMB'000	2017 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 '000	2017 '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 RMB'000	2017 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.

21. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Furniture, Fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
At 1 January 2017	15,483	5,926	14,057	9,606	45,072
Additions	–	783	170	–	953
At 31 December 2017 and 1 January 2018	**15,483**	**6,709**	**14,227**	**9,606**	**46,025**
Additions	**–**	**114**	**176**	**2,542**	**2,832**
Acquisition of a subsidiary *(note 40(b))*	**–**	**–**	**5,834**	**1,387**	**7,221**
Acquisition of a subsidiary through step acquisition of an associate *(note 40(a))*	**–**	**–**	**478**	**–**	**478**
Disposals	**–**	**(3,809)**	**(9,853)**	**(1,036)**	**(14,698)**
At 31 December 2018	**15,483**	**3,014**	**10,862**	**12,499**	**41,858**
Accumulated depreciation					
At 1 January 2017	522	4,345	11,490	5,745	22,102
Charge for the year	735	420	808	1,090	3,053
At 31 December 2017 and 1 January 2018	**1,257**	**4,765**	**12,298**	**6,835**	**25,155**
Charge for the year	**765**	**1,614**	**942**	**1,087**	**4,408**
Disposals	**–**	**(3,807)**	**(9,323)**	**(270)**	**(13,400)**
At 31 December 2018	**2,022**	**2,572**	**3,917**	**7,652**	**16,163**
Carrying amount					
At 31 December 2018	**13,461**	**442**	**6,945**	**4,847**	**25,695**
At 31 December 2017	14,226	1,944	1,929	2,771	20,870

22. INVESTMENT PROPERTIES

	2018 RMB'000	2017 RMB'000
Cost		
At 1 January and at 31 December	**28,283**	28,283
Accumulated depreciation		
At 1 January	**10,071**	8,811
Charge for the year	**1,260**	1,260
At 31 December	**11,331**	10,071
Carrying amount		
At 31 December	**16,952**	18,212

As at 31 December 2018, the Group had no un-provided contractual obligations for future repairs and maintenance (2017: Nil).

An valuation of the Group's investment properties was performed by the Directors to determine the fair value of the investment properties as at 31 December 2018, amounting to RMB40,627,000 (2017: RMB44,743,000). The valuation was determined using the market comparable approach (level 3 hierarchy). Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

23. GOODWILL

	2018 RMB'000	2017 RMB'000
Cost		
At 1 January	**105**	105
Arising on acquisition of a subsidiary *(note 40(b))*	**139,845**	–
Arising on acquisition of a subsidiary through step acquisition of an associate *(note 40(a))*	**51,739**	–
At 31 December	**191,689**	105
Accumulated impairment losses		
At 1 January	**–**	–
Impairment loss recognised in the current year	**105**	–
At 31 December	**105**	–
Carrying amount		
At 31 December	**191,584**	105

23. GOODWILL (continued)

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The net carrying amount of goodwill is allocated as follows:

	2018 RMB'000	2017 RMB'000
Events Operation and Marketing *(note (a))*	**51,739**	–
Sports Services *(note (b))*	**139,845**	–
Advertising Program and Branding	**–**	105
	191,584	105

(a) Events Operation and Marketing

For the purpose of goodwill impairment testing in respect of acquisition of a subsidiary through step acquisition of an associate, goodwill arising from this business combination was allocated to Events Operation and Marketing CGU.

The recoverable amount of this CGU is determined based on value in use calculation, which uses a discounted cash flow forecast based on financial budget approved by management covering a 5-year period. Cash flow beyond the 5-year period is extrapolated using an estimated weighted average growth rate of 3.0% for this CGU which is consistent with the forecast included in the industry report. The growth rate used does not exceed the long-term average growth rate for the business in which this CGU operates. The cash flow is discounted using a discount rate of 25.0%. The discount rate used is pre-tax and reflects specific risks relating to this CGU.

(b) Sports Services

For the purpose of goodwill impairment testing in respect of acquisition of a subsidiary, goodwill arising from this business combination was allocated to Sports Services CGU.

The recoverable amount of this CGU is determined based on value in use calculation, which uses a discounted cash flow forecast based on financial budget approved by management covering a 5-year period. Cash flow beyond the 5-year period is extrapolated using an estimated weighted average growth rate of 3.0% for this CGU which is consistent with the forecast included in the industry report. The growth rate used does not exceed the long-term average growth rate for the business in which this CGU operates. The cash flow is discounted using a discount rate of 18.0%. The discount rate used is pre-tax and reflects specific risks relating to this CGU.

24. INTANGIBLE ASSETS

	Operating right RMB'000	Software and others RMB'000	Brand RMB'000	Total RMB'000
Cost				
At 1 January 2017	2,500	2,272	1,540	6,312
Additions	–	281	–	281
Acquisition of assets through acquisition of a subsidiary *(note 40(c))*	8,000	–	–	8,000
At 31 December 2017 and 1 January 2018	**10,500**	**2,553**	**1,540**	**14,593**
Acquisition of a subsidiary *(note 40(b))*	**–**	**545**	**–**	**545**
Acquisition of a subsidiary through step acquisition of an associate *(note 40(a))*	**104,600**	**–**	**–**	**104,600**
Disposals	**(2,500)**	**–**	**(1,540)**	**(4,040)**
At 31 December 2018	**112,600**	**3,098**	**–**	**115,698**
Accumulated amortisation				
At 1 January 2017	1,250	950	257	2,457
Amortisation for the year	2,917	197	154	3,268
At 31 December 2017 and 1 January 2018	**4,167**	**1,147**	**411**	**5,725**
Amortisation for the year	**13,252**	**225**	**77**	**13,554**
Disposals	**(1,625)**	**–**	**(488)**	**(2,113)**
At 31 December 2018	**15,794**	**1,372**	**–**	**17,166**
Carrying amount				
At 31 December 2018	**96,806**	**1,726**	**–**	**98,532**
At 31 December 2017	6,333	1,406	1,129	8,868

The average remaining amortisation periods of the operating right, software and others, and brand are 2 to 5 years (2017: 3 to 4 years), nil to 10 years (2017: 1 to 10 years) and nil year (2017: 8 years) respectively.

25. INVESTMENTS IN SUBSIDIARIES

Particulars of the Group's subsidiaries at 31 December 2018 and 2017 are set out as follows:

Name	Place and date of incorporation or registration/Type of legal entity	Particular of issued share capital	Percentage of ownership interest/ voting power/profit sharing 2018	2017	Principal activities/Place of operation
Directly held by the Company					
Torch Media Co., Ltd.	BVI/2 April 2012/ Limited liability company	Ordinary shares US$1	**100%**	100%	Investment holding/BVI
Indirectly held by the Company					
Auto Culture Group Holdings Limited	Hong Kong/23 April 2012/Limited liability company	Ordinary shares HK$1	**100%**	100%	Investment holding/Hong Kong
Beijing Shangde Da'ai Sports Co., Ltd. ("**SDDA**") *(note (b))*	PRC/20 May 2016/ Limited liability company	Ordinary shares RMB5,555,555	**69.1%**	–	Service provision for the organisation of marathon events and holding of operating right of a marathon event/PRC
Beijing Wisdom Media Co., Ltd. *(notes (a) and (b))*	PRC/26 December 2006/Limited liability company	Ordinary shares RMB60,000,000	**100%**	100%	Program production and related services/PRC
Beijing Wisdom Sports Culture Co., Ltd. *(note (b))*	PRC/4 December 2015/Limited liability company	Ordinary shares RMB1,000,000	**100%**	100%	Event organisation and related services/PRC
Beijing Wisdom Sports Industry Co., Ltd. (formerly known as "Beijing Wisdom Culture Co., Ltd.") *(note (b))*	PRC/6 July 2012/ Limited liability company	Ordinary shares US$500,000	**100%**	100%	Investment holding/PRC

25. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the Group's subsidiaries at 31 December 2018 and 2017 are set out as follows: (continued)

Name	Place and date of incorporation or registration/Type of legal entity	Particular of issued share capital	Percentage of ownership interest/ voting power/profit sharing 2018	2017	Principal activities/Place of operation
Jiangxi Wisdom Advertising Co., Ltd. *(note (b))*	PRC/23 October 2015/Limited liability company	Ordinary shares RMB3,000,000	**100%**	100%	Advertising related services/PRC
Jiangxi Wisdom Sports Culture Co., Ltd. *(note (b))*	PRC/24 March 2014/Limited liability company	Ordinary shares RMB3,000,000	**100%**	100%	Advertising related services/PRC
Shenzhen Wisdom Sports Industry Co., Ltd. *(note (b))*	PRC/1 November 2016/Limited liability company	Ordinary shares RMB50,000,000	**100%**	100%	Event organisation and related services/PRC
Tianjin Wisdom Huafu Advertising Co., Ltd. *(note (b))*	PRC/13 March 2014/Limited liability company	Ordinary shares RMB3,000,000	**100%**	100%	Advertising related services/PRC
Wisdom Events Operation and Management (Zhejiang) Co., Ltd. *(note (b))*	PRC/10 December 2013/Limited liability company	Ordinary shares RMB290,000,000	**100%**	100%	Event organisation and related services/PRC
Wisdom Road Run Industry (Shenzhen) Co., Ltd. *(note (b))*	PRC/6 January 2017/Limited liability company	Ordinary shares RMB10,000,000	**100%**	100%	Event organisation and related services/PRC
Wisdom Sports Development (Shenzhen) Co., Ltd. (note (b))	PRC/3 November 2016/Limited liability company	Ordinary shares RMB50,000,000	**100%**	100%	Event organisation and related services/PRC
Wisdom Sports Development (Zhejiang) Co., Ltd. (note (b))	PRC/14 April 2016/Limited liability company	Ordinary shares RMB290,100,000	**100%**	100%	Event organisation and related services/PRC
Wuhan Guanghe Lixing Sports Culture and Media Co., Ltd. *(note (b))*	PRC/1 June 2015/Limited liability company	Ordinary shares RMB10,000,000	**100%**	100%	Event organisation and related services/PRC

25. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the Group's subsidiaries at 31 December 2018 and 2017 are set out as follows: (continued)

Name	Place and date of incorporation or registration/Type of legal entity	Particular of issued share capital	Percentage of ownership interest/ voting power/profit sharing 2018	2017	Principal activities/Place of operation
Zhejiang Wisdom Car Culture Advertising Co., Ltd. *(note (b))*	PRC/3 August 2012/ Limited liability company	Ordinary shares RMB10,000,000	**100%**	100%	Advertising related services/PRC
Subsidiaries of Beijing Wisdom Media					
Beijing Car Culture Advertising Co., Ltd. *(notes (a)* and *(b))*	PRC/25 August 2010/Limited liability company	Ordinary shares RMB5,000,000	**100%**	100%	Advertising and related services/PRC
Beijing Kuawei Lianzhong Sports Development Co., Ltd. *(notes (a)* and *(b))*	PRC/18 April 2011/ Limited liability company	Ordinary shares RMB300,000	**100%**	100%	Event organisation and related services/PRC
Beijing Wisdom Films Culture Media Co., Ltd. *(notes (a)*, *(b)* and *(c))*	PRC/28 February 2014/Limited liability company	Ordinary shares RMB3,000,000	**100%**	100%	Advertising and related services/PRC
Beijing Xinchuang Branding Co., Ltd. *(notes (a)*, *(b)* and *(d))*	PRC/25 January 2011/Limited liability company	Ordinary shares RMB1,000,000	**100%**	100%	Advertising and related services/PRC
Beijing Xinglian Lihe Technology Co., Ltd. ("**Xinglian Lihe**") *(notes (a)* and *(b))*	PRC/21 July 2009/ Limited liability company	Ordinary shares RMB3,920,000	**51.02%**	–	Live broadcasting and video production/ PRC
First AI Sports Technology (Shenzhen) Co., Ltd. ("**First AI**") *(notes (a)* and *(b))*	PRC/6 May 2016/ Limited liability company	Ordinary shares RMB10,000,000	**100%**	–	Live broadcasting and marathon timing services/PRC

Notes:

(a) These companies are under the Structured Contracts. Please refer to note 6(a)(ii) for details.

(b) The English names of these companies represented the best effort by the management of the Group in translating their Chinese names as they do not have official English names.

(c) The company was de-registered on 18 February 2019.

(d) The company was de-registered on 27 February 2019.

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

25. INVESTMENTS IN SUBSIDIARIES (continued)

The following table shows information on the subsidiaries that have non-controlling interests ("**NCI**") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	SDDA 2018	Xinglian Lihe 2018
Principal place of business/country of incorporation	PRC	PRC
% of ownership interests/voting rights held by NCI	30.9%/30.9%	48.98%/48.98%
	RMB'000	RMB'000
At 31 December:		
Non-current assets	94,502	19,829
Current assets	43,678	25,248
Non-current liabilities	(23,535)	–
Current liabilities	(21,499)	(29,147)
Net assets	93,146	15,930
Accumulated NCI	28,782	7,802

	Period from 1 July 2018 to 31 December 2018 RMB'000	Period from 24 November 2018 to 31 December 2018 RMB'000
Revenue	74,057	12,774
Profit	14,230	2,502
Total comprehensive income	14,230	2,502
Profit allocated to NCI	4,397	1,225
Net cash (used in)/generated from operating activities	(890)	23,196
Net cash generated from/(used in) investing activities	240	(14,385)
Net (decrease)/increase in cash and cash equivalents	(650)	8,811

As at 31 December 2018, the cash and cash equivalents of the Group's subsidiaries in the PRC denominated in RMB amounted to RMB369,272,000 (2017: RMB314,842,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

26. EQUITY INVESTMENTS

	2018 RMB'000	2017 RMB'000
Listed equity securities		
– Equity investments designated at FVTOCI	**9,991**	–
– Available-for-sale financial assets	**–**	19,110
	9,991	19,110
Unlisted equity securities		
– Equity investments designated at FVTOCI	**19,519**	–
– Available-for-sale financial assets	**–**	35,740
	19,519	35,740
	29,510	54,850

At 1 January 2018, the Group made an irrevocable election to present all changes in the fair value of all its equity investments (previously classified as available-for-sale financial assets under HKAS 39) in other comprehensive income under the adoption of HKFRS 9. Details of changes in accounting policies are disclosed in note 3(b) to the consolidated financial statements.

As at 31 December 2017, the unlisted available-for-sale financial assets were measured under HKAS 39 at cost less impairment as there were no quoted market prices in active markets and their fair value cannot be reliably measured.

All of the equity investments are denominated in RMB.

27. INVESTMENTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000
Unlisted investments:		
Share of net assets	**16,820**	51,810
Goodwill	**3,000**	40,461
	19,820	92,271

27. INVESTMENTS IN ASSOCIATES (continued)

Details of the Group's associates at 31 December 2018 and 2017 are as follows:

Name	Place of incorporation/ registration	Particular of issued share capital	Percentage of ownership interest/ voting power/profit sharing 2018	2017	Principal activities
Beijing Guotaiyinke Technology Co., Ltd. ("**GTYK**")	PRC	RMB6,312,500	**20%** ***(note (a))***	20% *(note (a))*	Technology development
Vning Sports Culture Industry (Beijing) Co., Ltd. ("**Vning**")	PRC	RMB6,027,727	**15%** ***(note (b))***	15% *(note (b))*	Organisation of sports-related courses
SEG ZM Sports Culture Development Co., Ltd. ("**SEG ZM**")	PRC	RMB50,000,000	**10%** ***(note (c))***	10% *(note (c))*	Events organisation
SDDA	PRC	RMB5,555,555	**–** ***(note (d))***	32.5% *(note (d))*	Service provision for the organisation of marathon events and holding of operating right of a marathon event

The recoverable amounts of investments in associates have been determined based on fair value less costs of disposal by using discounted cash flow method. In particular of investment in Vning, a discount rate of 30.0% was used. As a result, according to the impairment test result used by the Group, the recoverable amount of this investment is lower than its carrying amount due to poorer operating results, and an impairment of RMB3,767,000 was recognised in profit or loss for the year ended 31 December 2018.

Notes:

(a) The capital injection agreement between Beijing Wisdom Sports and GTYK ("**Agreement A**") specifies that Beijing Wisdom Sports has a right to request the original three individual shareholders of GTYK for cash or share compensation if GTYK's audited net profit targets of 2016 to 2018 are not met. The Group measured the value of such right, with the assistance of an independent qualified professional valuer, Avista Group, and the fair value of the right was considered insignificant on 31 December 2018 and 31 December 2017.

27. INVESTMENTS IN ASSOCIATES (continued)

Notes (continued):

(b) On 17 April 2017, Beijing Wisdom Media, a wholly-owned subsidiary of the Company, entered into a capital increase framework agreement with Ji Ning and Luo Weiwei, who are the original shareholders of Vning, pursuant to which Beijing Wisdom Media obtained a 15% equity interest in Vning with a total consideration of RMB18,000,000. On 10 May 2017, both rights and obligations of Vning were transferred to Wisdom Events Operation and Management (Zhejiang) Co., Ltd. ("**ZMWH**"), a wholly-owned subsidiary of the Company, under mutual agreement within ZMWH, Beijing Wisdom Media and other sharedolders of Vning. As at 31 December 2017, ZMWH has invested total amount. The Articles of Association specifies that at least a half of the shareholding is required to approve for decision on directing the relevant activities of Vning. As ZMWH holds a 15% equity interest in Vning, and has appointed one out of seven directors, the Group has significant influence, but not control over the financial and operating policy decisions of Vning. Hence the Group's interest in Vning is accounted for as an investment in an associate. The transaction was completed on 31 May 2017.

(c) On 7 April 2016, Beijing Wisdom Sports entered into an equity transfer agreement ("**ETA**") with Shenzhen ZM Sports Stadium Investment Co., Ltd. ("**SZZM**") and SEG Property Co., Ltd. ("**SEG**"), pursuant to which SZZM transferred 55% equity interest in SEG ZM to Beijing Wisdom Sports at RMB27,500,000 (the "**Transaction**"). Immediately after the Transaction, SZZM, Beijing Wisdom Sports and SEG held 10%, 55% and 35% equity interests in SEG ZM, respectively. The Articles of Association specifies that at least two-third of the shareholding is required to approve for decision on directing the relevant activities of SEG ZM. Even though Beijing Wisdom Sports held a 55% equity interest in SEG ZM, based on the current shareholding structure, decisions about relevant activities require mutual consent of the Group and SEG and hence in the opinion of the Directors, the Group's interest in SEG ZM is accounted for as an investment in a joint venture. On 21 June 2017, the Group entered into an agreement to dispose of its 45% equity interest in SEG ZM at RMB22,500,000. Upon the completion of the transaction, the Group will hold an aggregate of 10% equity interest in SEG ZM and would no longer recognise such investment as an investment in a joint venture. The transaction has been completed on 12 July 2017.

As Beijing Wisdom Sports still holds a 10% equity interest in SEG ZM, and has appointed one out of five directors, the Group has significant influence, but no control over the financial and operating policy decisions of SEG ZM. Hence the Group's interest in SEG ZM is accounted for as an investment in an associate since 12 July 2017.

(d) The capital injection agreement between ZMWH and Beijing Shangde Shangpin Sports Development Co., Ltd., whose name was changed to SDDA ("**Agreement B**") specifies that ZMWH has a right to request cash or share compensation from the original shareholders of SDDA if SDDA's audited net profit target of 2017 and audited retained profits target of 2018 are not met. The Group measured the value of such right, with the assistance of Avista Group, and the fair value of the right was considered insignificant on 20 July 2017 (the "**acquisition date of SDDA**") and 31 December 2017.

Other than the right to request for cash or share compensation, ZMWH has an option to request the original shareholders of SDDA to repurchase the shares if SDDA's audited net profit target of 2017 and audited retained profits target of 2018 are not met, which constitutes an embedded put option in Agreement B. The Group measured the value of such put option, with the assistance of Avista Group, and the fair value of the option was considered insignificant as at the acquisition date of SDDA and 31 December 2017.

On 30 June 2018, the original shareholders of SDDA entered into an agreement ("**Agreement C**") with ZMWH to offer a share compensation based on the Agreement B as an early settlement. Under the Agreement C, 36.6% equity interest was transferred to ZMWH from the original shareholders. On the same date, ZMWH owns 69.1% equity interest in SDDA. The revised Articles of Association of SDDA also grants the right to the Company to appoint two thirds of the members in SDDA's board of directors. Hence, SDDA is then the Company's subsidiary with the control to direct the activities of SDDA. Note 40(a) to the consolidated financial statements sets out the details of this acquisition. The transaction was completed on the same date and the Agreement B was hence early terminated under the exercise of the right above.

27. INVESTMENTS IN ASSOCIATES (continued)

The following table shows information on the associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

Name	GTYK 2018	GTYK 2017	Vning 2018	Vning 2017
Principal place of business/ country of incorporation	**PRC/PRC**	PRC/PRC	**PRC/PRC**	PRC/PRC
Principal activities	**Technology development**	Technology development	**Organisation of sports-related courses**	Organisation of sports-related courses
% of ownership interests/ voting rights held by the Group	**20%/20%**	20%/20%	**15%/15%**	15%/15%
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 31 December:				
Non-current assets	**3,676**	6,600	**10,838**	61,983
Current assets	**35,758**	23,355	**32,846**	45,645
Non-current liabilities	**(540)**	(1,624)	**(600)**	(14,470)
Current liabilities	**(5,256)**	(630)	**(3,224)**	(3,337)
Net assets	**33,638**	27,701	**39,860**	89,821
Group's share of net assets	**6,728**	5,540	**5,979**	13,473
Goodwill	**2,826**	2,826	**174**	3,941
Group's share of carrying amount of interests	**9,554**	8,366	**6,153**	17,414
Year ended 31 December:				
Revenue	**29,610**	12,488	**4,905**	6,055
Profit/(loss)	**5,937**	658	**(49,961)**	(3,908)
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**5,937**	658	**(49,961)**	(3,908)

27. INVESTMENTS IN ASSOCIATES (continued)

The following table shows information on the associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates (continued).

Name	SEG ZM 2018	SEG ZM 2017	SDDA 2018	SDDA 2017
Principal place of business/ country of incorporation	**PRC/PRC**	PRC/PRC	–	PRC/PRC
Principal activities	**Events organisation**	Events organisation	–	Service provision for the organisation of marathon events and holding of operating right of a marathon event
% of ownership interests/ voting rights held by the Group	**10%/10%**	10%/10%	–	32.5%/32.5%
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 31 December				
Non-current assets	**10,599**	10,081	–	88,935
Current assets	**32,181**	42,951	–	25,370
Current liabilities	**(1,648)**	(576)	–	(29,535)
Net assets	**41,132**	52,456	–	84,770
Group's share of net assets	**4,113**	5,246	–	27,551
Goodwill	**–**	–	–	33,694
Group's share of carrying amount of interests	**4,113**	5,246	–	61,245

27. INVESTMENTS IN ASSOCIATES (continued)

The following table shows information on the associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates (continued).

	SEG ZM		SDDA	
	Year ended 31 December		Period ended 30 June	Year ended 31 December
Name	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**9,391**	9,383	**19,972**	46,091
Profit/(loss)	**(11,324)**	881	**(25,201)**	(7,110)
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**(11,324)**	881	**(25,201)**	(7,110)

As at 31 December 2018, the cash and cash equivalents of the Group's associates in the PRC denominated in RMB amounted to RMB36,873,000 (2017: RMB11,913,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

28. INVENTORIES

	2018 RMB'000
Finished goods	**4,124**

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 RMB'000
Listed equity securities – Hong Kong	**60,344**

During the year ended 31 December 2018, the Group entered into an asset management agreement for a discretionary account with an investment manager in which the Group deposited a fund for the investment manager to invest in listed equity securities and other financial instruments. As at 31 December 2018, the balance consists of listed equity securities in Hong Kong deposited with the investment manager.

30. TRADE AND BILLS RECEIVABLES

	2018 RMB'000	2017 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 RMB'000	2017 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.

31. OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Government grants receivables	**720**	13,485
Deposits with media companies and event organisation companies	**16,870**	61,975
Advance to employees	**3,979**	3,642
Lease and other deposits	**2,358**	2,153
Consideration receivable for disposal of a subsidiary	**–**	40,600
Amount due from 北體智美場館運營(深圳)有限公司 ("**TYCG**") *(note (a))*	**30,518**	9,218
Amounts due from related companies *(note 43(a)(ii))*	**5,512**	9,037
Treasury products	**–**	261,608
Fund investment in a partnership *(note (b))*	**52,000**	50,667
Loans to companies *(notes (c))*	**110,597**	65,250
Others	**5,931**	6,318
Allowance for impairment of other receivables	**(4,770)**	(4,652)
	223,715	519,301
Non-current portion	**–**	(50,000)
Total current portion	**223,715**	469,301
Non-current portion		
Loan to a company	**–**	50,000
Allowance for impairment of other receivables	**–**	–
Total non-current portion	**–**	50,000

Notes:

(a) The balance as at 31 December 2018 (brought forward with amount due from TYCG and loan to a company as at 31 December 2017) relates to the proposed joint investment in TYCG between the Group and Beijing Sports and Entertainment Industry Group Limited, an independent third party, to hold 40% and 50% of the equity interest in TYCG respectively on 5 July 2018. Such investment is now temporarily suspended under mutual agreement with the balance currently maintained in TYCG subject to the re-activation of the investment.

31. OTHER RECEIVABLES (continued)

Notes (continued):

(b) On 1 July 2018, the Group entered into a Limited Partnership Agreement with 深圳市車城五號投資企業(有限合夥)("**SZCC**"), whereas the Group invested RMB50,000,000 into SZCC as a limited partner. The Group has no influence on the financial and operating decisions of SZCC. The investment is denominated in RMB. The investment has an annualised rate of return of 8% receivable every six months, and a right granted to the Group for exercising the redemption of equitable investment every six months. The investment is held for the collection of contractual cash flows which represents solely payments of principal and interest, and the related interest income is calculated using the effective interest method. Hence, the Directors considered the investment has fixed maturity and interest. Accordingly, the investment is accounted for as other receivables and subsequently measured at amortised cost.

On 7 January 2017, the Group entered into a Limited Partnership Agreement with Shenzhen Zhongke Guofu Yuansheng Equity Investment Management Partnership (LLP) ("**ZKGF**"), whereas the Group invested RMB50,000,000 into ZKGF as a limited partner. The Group had no influence on the financial and operating decisions of ZKGF. The investment was denominated in RMB and ZKGF agreed to redeem the investment in three months which could be extended if agreed by both parties. The investment would be redeemed at the initial investment with a fixed return rate of 8.0% per annum. The investment was held for the collection of contractual cash flows which represented solely payments of principal and interest, and the related interest income was calculated using the effective interest method. Hence, the Directors considered the investment had fixed maturity and interest. Accordingly, the investment was accounted for as other receivables and subsequently measured at amortised cost. The investment was subsequently redeemed in 2018.

(c) The balance as at 31 December 2018 represents a total of 5 loans to 3 companies which are independent third parties and the business partners of the Group, with loan periods ranging from 1 to 2 years and fixed interest rates ranging from 4.75% to 6.00%. RMB93,400,000 of the loans are pledged with properties located in the PRC after 31 December 2018.

The balance as at 31 December 2017 represented a total of 2 unsecured loans to 2 companies which were independent third parties and the business partners of the Group, with loan periods ranging from 1 to 2 years and fixed interest rates ranging from 4.00% to 4.75%.

The carrying amounts of the other receivables are all denominated in RMB.

32. PREPAYMENT AND OTHER CURRENT ASSETS

	2018 RMB'000	2017 RMB'000
Prepayment for media resources	**676**	62,535
Prepayment for sport competition and event organisation expenses	**30,897**	26,503
Prepaid lease and property management fees	**1,006**	1,830
Value-added and other taxes' credits	**15,674**	25,819
Others	**3,273**	2,142
	51,526	118,829

The carrying amounts of prepayment and other current assets are all denominated in RMB.

33. CASH AND CASH EQUIVALENTS

	2018 RMB'000	2017 RMB'000
Cash on hand	**90**	80
Bank balances	**417,265**	324,354
Cash and cash equivalents	**417,355**	324,434

Cash and cash equivalents comprise cash held by the Group and short-term deposits with an original maturity of three months or less. The balances are mainly denominated in RMB.

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

34. SHARE CAPITAL

		2018			2017		
	Note	**Number of shares '000**	**US$'000**	**RMB'000**	Number of shares '000	US$'000	RMB'000
Authorised:							
Ordinary shares of US$0.00025 each							
At 1 January and 31 December		**4,000,000**	**1,000**	**–**	4,000,000	1,000	–
Issued and fully paid:							
Ordinary shares of US$0.00025 each							
At 1 January		**1,592,942**	**398**	**2,454**	1,609,045	402	2,479
Shares repurchased and cancelled	(a)	**–**	**–**	**–**	(16,103)	(4)	(25)
At 31 December		**1,592,942**	**398**	**2,454**	1,592,942	398	2,454

Note:

(a) The Company repurchased 16,103,000 ordinary shares ("**repurchased shares**") for a total consideration of HK$28,100,830 (equivalent to RMB25,076,000) in open market from 30 March 2017 to 9 May 2017, under authorisation of Board of Directors. The repurchased shares were subsequently cancelled on 21 July 2017.

34. SHARE CAPITAL (continued)

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as net debt divided by total equity. Net debt comprises bank and other borrowings. Total equity comprises all components of equity (i.e. share capital, non-controlling interest and other reserves).

There have been no bank and other borrowings as at 31 December 2018 and 2017, accordingly, there was no net debt at 31 December 2018 and 2017 and calculation of debt-to-equity ratio at 31 December 2018 and 2017 is not meaningful.

The externally imposed capital requirements for the Group are: in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares.

35. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2018 RMB'000	2017 RMB'000
Non-current assets		
Investments in subsidiaries	**309,898**	301,226
Current assets		
Financial assets at fair value through profit or loss	**60,344**	–
Other receivables	**1,532**	1,665
Prepayments	**–**	447
Cash and cash equivalents	**47,090**	6,109
	108,966	8,221
TOTAL ASSETS	**418,864**	309,447
Capital and reserves		
Share capital	**2,454**	2,454
Reserves	**413,610**	300,826
TOTAL EQUITY	**416,064**	303,280
Current liabilities		
Other payables and accrued expenses	**2,800**	6,167
TOTAL EQUITY AND LIABILITIES	**418,864**	309,447

Approved by the Board of Directors on 29 March 2019 and are signed on its behalf by:

Ren Wen
Director

Song Hongfei
Director

35. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(b) Reserve movement of the Company

	Share premium RMB'000	Share-based payments reserve RMB'000	(Accumulated losses)/ Retained profits RMB'000	Total RMB'000
At 1 January 2017	337,352	4,284	(9,217)	332,419
Total comprehensive income for the year	–	–	52,787	52,787
Payment of 2017 interim dividend *(note 19)*	(60,532)	–	–	(60,532)
Share-based payments	–	1,203	–	1,203
Shares repurchased and cancelled	(25,051)	–	–	(25,051)
At 31 December 2017	251,769	5,487	43,570	300,826
At 1 January 2018	**251,769**	**5,487**	**43,570**	**300,826**
Total comprehensive income for the year	**–**	**–**	**211,339**	**211,339**
Payment of 2017 final dividend *(note 19)*	**(98,762)**	**–**	**–**	**(98,762)**
Share-based payments	**–**	**207**	**–**	**207**
At 31 December 2018	**153,007**	**5,694**	**254,909**	**413,610**

36. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

36. RESERVES (continued)

(b) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the share premium account is available for distribution to shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company is in a position to pay off its debts as they fall due in the ordinary course of business of the Company.

(ii) Share-based payments reserve

The share-based payments reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 5(v) to the consolidated financial statements.

(iii) Statutory reserve

The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the profit after income tax (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to shareholders. All statutory reserves are created for specific purposes. A PRC company is required to appropriate 10% of statutory profits after income tax to statutory surplus reserves, upon distribution of its post-tax profits of the current year.

A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's operations or to increase the capital of the company. In addition, a company may make contribution to the discretionary surplus reserve using its post-tax profits in addition to the 10% statutory surplus reserves requirement, as mentioned above, by passing a resolution of the Board of Directors. The Group did not make any appropriation to the discretionary surplus reserve.

36. RESERVES (continued)

(b) Nature and purpose of reserves (continued)

(iv) Other reserve

Other reserve comprises the paid-up capital and reserve of Beijing Wisdom Media, a Group's existing subsidiary which is held by Beijing Wisdom Sports under the structured contract entered into on 24 June 2013 to obtain the effective control and substantial residual economic benefits of Beijing Wisdom Media and its subsidiaries.

Under the structured contract signed between the Group, and Beijing Wisdom Sports and its direct shareholders, such arrangement was made as part of the reorganisation for initial public offering in 2013 in order to consolidate Beijing Wisdom Media into the Group.

(v) Fair value reserve (non-recycling)

Fair value reserve (non-recycling) (2017: fair value reserve (recycling)) comprises the cumulative net change in the fair value of equity investments designated at FVTOCI (2017: Available-for-sale financial assets) held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 5(m) to the consolidated financial statements.

37. DEFERRED TAX

The following are the deferred tax liabilities and (assets) recognised by the Group:

Deferred tax liabilities	Intangible assets from acquisition of a subsidiary through step acquisition of an associate RMB'000
At 1 January 2018	–
Acquisition of a subsidiary through step acquisition of an associate *(note 40(a))*	**26,150**
Credited to profit or loss for the year *(note 13)*	**(2,615)**
At 31 December 2018	**23,535**

37. DEFERRED TAX (continued)

Deferred tax assets	Allowance for impairment of trade and bills receivables RMB'000
At 1 January 2017	–
Credited to profit or loss for the year *(note 13)*	(2,042)
At 31 December 2017	(2,042)
Effect on adoption of HKFRS 9	(157)
Restated balance at 1 January 2018	**(2,199)**
Credited to profit or loss for the year *(note 13)*	**(2,917)**
At 31 December 2018	**(5,116)**

The following is the analysis of the deferred tax balances (after offset) for the consolidated statement of financial position purposes:

	2018 RMB'000	2017 RMB'000
Deferred tax liabilities	**23,535**	–
Deferred tax assets	**(5,116)**	(2,042)
	18,419	(2,042)

At the end of the reporting period, the Group has not recognised deferred tax assets in respect of unused tax losses of RMB74,251,000 (31 December 2017: RMB5,140,000) due to the unpredictability of future profit streams. Tax losses are all arisen in the PRC and will be expired within five years for offsetting against future taxable profits.

Under the CIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB751,002,000 (31 December 2017: RMB950,162,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

38. TRADE PAYABLES

	2018 RMB'000	2017 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 RMB'000	2017 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.

39. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company's share option scheme (the "**Share Option Scheme**") was adopted pursuant to a resolution passed on 14 June 2013 for the primary purpose of providing incentives and rewards to people and the parties working for the interest of the Group. The Share Option Scheme will remain valid for a period of ten years commencing on 14 June 2013 and shall expire at the close of business on the business date immediately preceding the tenth anniversary thereof unless terminated earlier by shareholders in general meeting. Under the Share Option Scheme, the Directors may grant options to eligible participants including the Directors, employees of the Company or any of its subsidiaries and consultants or advisers of the Company or any of its subsidiaries to subscribe for shares in the Company in accordance with the Share Option Scheme. An offer for the grant of options must be accepted within seven days from the date of offer and a consideration of HK$1.00 is payable by each of the participants on acceptance of the grant of options.

39. SHARE-BASED PAYMENTS (continued)

Equity-settled share option scheme (continued)

As at 31 December 2018, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 1,180,000 (2017: 1,280,000), representing approximately 0.1% (2017: approximately 0.1%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period of not more than ten years after the date on which an offer of the grant of an option is accepted. The subscription price of a share is determined by the Directors, and will not be less than the higher of (a) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a trading day; (b) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of offer; and (c) the nominal value of a share.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

Details of the specific categories of options are as follows:

	Date of grant	Number of shares	Vesting period	Exercise period	Exercise price
Option 1	23.05.2014	302,500	23.05.2014-22.05.2015	23.05.2015-22.05.2024	HK$3.92
		302,500	23.05.2014-22.05.2016	23.05.2016-22.05.2024	HK$3.92
		302,500	23.05.2014-22.05.2017	23.05.2017-22.05.2024	HK$3.92
		302,500	23.05.2014-22.05.2018	23.05.2018-22.05.2024	HK$3.92
Option 2	29.05.2015	625,000	29.05.2015-28.05.2016	29.05.2016-28.05.2025	HK$8.04
		625,000	29.05.2015-28.05.2017	29.05.2017-28.05.2025	HK$8.04
		625,000	29.05.2015-28.05.2018	29.05.2018-28.05.2025	HK$8.04
		625,000	29.05.2015-28.05.2019	29.05.2019-28.05.2025	HK$8.04

39. SHARE-BASED PAYMENTS (continued)

Equity-settled share option scheme (continued)

The movements of the share options granted of the Group during the year ended 31 December 2018 are as follows:

Option type	Outstanding at 1.1.2018	Reclassification	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31.12.2018
Executive Directors:							
Song Hongfei	215,000	–	–	–	–	–	215,000
Employees	165,000	–	–	–	–	–	165,000
Option 1	380,000	–	–	–	–	–	380,000
Executive Directors:							
Hao Bin	150,000	–	–	–	–	–	150,000
Employees	750,000	–	–	–	(100,000)	–	650,000
Option 2	900,000	–	–	–	(100,000)	–	800,000
	1,280,000	–	–	–	(100,000)	–	1,180,000
Exercisable at the end of the year							980,000
Weighted average exercise price	HK$6.82	–	–	–	HK$8.04	–	HK$6.71

39. SHARE-BASED PAYMENTS (continued)

Equity-settled share option scheme (continued)

The movements of the share options granted of the Group during the year ended 31 December 2017 are as follows:

Option type	Outstanding at 1.1.2017	Reclassification	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31.12.2017
Executive Directors:							
Song Hongfei	215,000	–	–	–	–	–	215,000
Employees	230,000	–	–	–	(65,000)	–	165,000
Option 1	445,000	–	–	–	(65,000)	–	380,000
Executive Directors:							
Hao Bin	–	150,000	–	–	–	–	150,000
Employees	1,700,000	(150,000)	–	–	(800,000)	–	750,000
Option 2	1,700,000	–	–	–	(800,000)	–	900,000
	2,145,000	–	–	–	(865,000)	–	1,280,000
Exercisable at the end of the year							735,000
Weighted average exercise price	HK$7.19	HK$8.04	–	–	HK$7.73	–	HK$6.82

During the years ended 31 December 2018 and 2017, no options were granted.

The estimated fair value of the options 1 and 2 granted on 23 May 2014 and 29 May 2015 was HK$1.75 and HK$3.08 per option.

39. SHARE-BASED PAYMENTS (continued)

Equity-settled share option scheme (continued)

The fair values of the options 1 and 2 were calculated using The Black-Scholes pricing model. The inputs into the model were as follows:

	Option 1
Share price	HK$3.92
Exercise price	HK$3.92
Expected volatility	45.0%
Expected life	4 years
Risk free rate	1.11%
Expected dividend yield	–

	Option 2
Share price	HK$8.00
Exercise price	HK$8.04
Expected volatility	44.36%-49.41%
Expected life	4 years
Risk free rate	1.1745%-1.3533%
Expected dividend yield	1.71%

The expected volatilities are based on historical volatilities of a set of market comparable companies. Expected dividend yields are based on historical dividend yields of the Company. Changes in these subjective input assumptions could materially affect the fair value estimate.

The Group recognised the total expense of RMB207,000 for the year ended 31 December 2018 (2017: RMB1,203,000) in relation to share options granted by the Company.

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of a subsidiary through step acquisition of an associate

On 30 June 2018, the Group obtained 36.6% of the equity interest of SDDA under a share compensation, amounting to RMB56,288,000 (see note 27 to the consolidated financial statements). 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 holding of operating right of a marathon event during the year. 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 11)*	**3,072**

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(a) Acquisition of a subsidiary through step acquisition of an associate (continued)

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 interests	(24,385)
	54,531
Fair value of share compensation of 36.6% equity interest from investment in an associate *(note 10)*	(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. The gross contractual amounts of trade receivables, and prepayments, deposits and other receivables were RMB400,000 and RMB18,586,000 respectively, of which RMB Nil is expected to be uncollectible.

SDDA contributed revenue of RMB Nil and loss of RMB59,827,000 in the period between 1 July 2018 and the end of the reporting period. If the acquisition had been completed on 1 January 2018, total Group revenue for the year from continuing operations would have been RMB461,485,000 and profit for the year from continuing operations would have been RMB37,272,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is intended to be a projection of future results.

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Acquisition of a subsidiary

On 23 November 2018, the Group obtained the entire equity interest of First AI (which holds 51.02% of the equity interest in 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 interests	(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

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Acquisition of a subsidiary (continued)

The goodwill arising on the acquisition of First AI (consolidating Xinglian Lihe) is attributable to the anticipated future operating synergies from the combination. The gross contractual amounts of trade receivables, and prepayments, deposits and other receivables were RMB34,073,000 and RMB51,650,000 respectively, of which RMB Nil is expected to be uncollectible.

First AI (consolidating Xinglian Lihe) contributed consolidated revenue of RMB2,241,000 and consolidated loss of RMB12,017,000 in the period between 24 November 2018 and the end of the reporting period. If the acquisition had been completed on 1 January 2018, total Group revenue for the period from continuing operations would have been RMB489,622,000 and profit for the period from continuing operations would have been RMB67,312,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is intended to be a projection of future results.

(c) Acquisition of assets through acquisition of a subsidiary – Wisdom Road Run Industry (Shenzhen) Co., Ltd. ("Lu Pao Industry")

In May 2017, the Group acquired 100% equity interest in Lu Pao Industry at a cash consideration of RMB8,000,000. Lu Pao Industry holds a right of operation of marathon events and was acquired with the objective of expansion in market coverage of business of the Group.

The transaction was accounted for as acquisition of assets through acquisition of a subsidiary and the fair value of the consideration allocated to the assets and liabilities acquired is as follows:

Net assets at the date of acquisition were as follows:

	RMB'000
Intangible assets – operating right	8,000
Total consideration – satisfied by cash	8,000
Net cash outflow arising on acquisition:	
Cash consideration paid	8,000

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(d) Major non-cash transaction

During the year ended 31 December 2017, the Group disposed of the equity interest in SWBI, sales proceeds of RMB40,600,000 have not been received as at 31 December 2017 and have been recorded in other receivables (see note 31), which was fully received in 2018.

41. CONTINGENT LIABILITIES

As at 31 December 2018, the Group has contingent liabilities of RMB1,900,000 (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.

42. COMMITMENTS

(a) Operating lease commitments

The Group as lessee

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**9,601**	5,733
In the second to fifth years inclusive	**14,079**	5,472
	23,680	11,205

Operating lease payments represent rentals payable by the Group. Leases are negotiated and rentals are fixed over the lease terms ranging from 1 to 5 years (2017: 1 to 3 years) and do not include contingent rentals.

42. COMMITMENTS (continued)

(a) Operating lease commitments (continued)

The Group as lessor

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**122**	497
In the second to fifth years inclusive	**–**	498
	122	995

(b) Strategic cooperation agreements with sports-related organisation commitments

As at 31 December 2018, the Group has a strategic cooperation with Asia Athletics Association (31 December 2017: Zhejiang Province and Asia Athletics Association) with the exclusive rights granted to the Group for organising all the social sports competitions organised and operated by the above organisations.

According to the strategic cooperation agreements, the future committed payments are as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**1,953**	2,453

(c) Capital commitments contracted for but not provided for at the end of the reporting period

	2018 RMB'000	2017 RMB'000
Property, plant and equipment	**27,565**	–
Capital contribution to an equity investment designated at FVTOCI	**45,000**	45,000
	72,565	45,000

43. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

(i) Related party transactions

	2018 RMB'000	2017 RMB'000
Purchase – Events operation fee expense		
– SDDA *(note (b))*	**13,849**	18,679
Expense – Rental and household service fee		
– SZZM *(note (d))*	**242**	–
Sales – Sports services income – SEG ZM *(note (e))*	**–**	3,900

(ii) Related party balances

	2018 RMB'000	2017 RMB'000
Other receivables from Shenzhen Wisdom Sports Technology Limited ("**SZWS**") *(note (a))*	**2,977**	2,977
Advance to SZWS *(note (a))*	**1,073**	1,073
Advance to SDDA *(note (b))*	**–**	3,525
Other receivable from 深圳韌行投資有限公司 ("**SZRX**") *(note (c))*	**1,462**	1,462

Notes:

(a) Ms. Ren Wen indirectly holds the controlling shareholding interest in SZWS. Other receivables arise from the receipt by SZWS on behalf of the Group, and advance relates to routine business activities as at 31 December 2018 and 2017.

(b) In 2017, ZMWH entered into an agreement with SDDA to obtain the operating right of a marathon event, Running in China, and paid the events operation fee for assisting with the organisation of marathon events.

The Group has advance as at 31 December 2017 to support the operation of Running in China by ZMWH.

SDDA ceased to be an associate of the Group since 30 June 2018 upon the completion of acquisition of a subsidiary through step acquisition of SDDA (see note 40(a)) to the consolidated financial statements).

43. RELATED PARTY TRANSACTIONS (continued)

(a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year: (continued)

(ii) Related party balances (continued)

Notes: (continued)

(c) Ms. Ren Wen indirectly holds the controlling shareholding interest in SZRX. The balances as at 31 December 2018 and 2017 represent the rental income receivables regarding the property leased in 2016 and other receipt by SZRX on behalf of the Group.

(d) Ms. Ren Wen indirectly holds the controlling shareholding interest in SZZM. The amount represented the rental and household services provided by SZZM in 2018.

(e) The amount represented the income received from the broadcasting service of sports services provided by SEG ZM, an associate, in 2017.

(b) The emoluments of Directors and other members of key management during the year were as follows:

	2018 RMB'000	2017 RMB'000
Directors' fees	**700**	564
Salaries and allowances	**7,814**	6,622
Share-based payments	**42**	100
Retirement benefit scheme contributions	**354**	312
	8,910	7,598

44. EVENTS AFTER THE REPORTING PERIOD

Jiangxi Wisdom Sports Culture Co., Ltd. ("**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. on 11 January 2019. Pursuant to which, Jiangxi Wisdom shall subscribe the investment of RMB50,000,000 of Beijing U.S.-China Green Fund Investment Center (Limited Partnership) ("**U.S.-China Green Fund**"), which participates in the investment in green energy, energy saving and environmental protection, medical and health care, consumption upgrading, green building and other related industries. Upon the completion of Subscription of Fund, Jiangxi Wisdom shall become one of the Limited Partners of U.S.-China Green Fund. Details of this investment were disclosed in the Company's announcement published on the Stock Exchange on 11 January 2019.

45. COMPARATIVE FIGURES

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

Certain comparative figures have been reclassified to conform to the current year's presentation. The new classification of the accounting items was considered to provide a more appropriate presentation of the state of affairs of the Group.

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and the Company's prospectus dated 28 June 2013 is set out below:

	For the year ended 31 December				
	2018	2017	2016	2015	2014
Comparison of Key Financial Figures	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**455,363**	371,463	480,910	681,429	804,301
Cost of services	**(329,539)**	(240,845)	(307,617)	(499,574)	(430,207)
Gross Profit	**125,824**	130,618	173,293	181,855	374,094
Profit before tax	**119,365**	160,148	135,076	74,464	370,598
Profit attributable to owners of the Company	**46,372**	101,588	93,363	50,793	277,994
Total assets	**1,307,419**	1,332,389	1,348,523	1,160,263	1,329,883
Total liabilities	**136,453**	119,616	151,043	58,094	130,663