WISDOM

WISDOM SPORTS GROUP
智美體育集團

Stock Code:1661

(Incorporated in the Cayman Islands with limited liability)

智其身心
美其体魄

2019 ANNUAL REPORT

为健康 为快乐

Contents

Corporate Information

EXECUTIVE DIRECTORS

Ms. Ren Wen *(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

COMPANY SECRETARY

Ms. Hao Bin

AUTHORISED REPRESENTATIVES

Ms. Hao Bin
Mr. Sheng Jie

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

7/F, Block 1
No. 16, Xinyuanli
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,

2019 has gone in a flash. As you know, Wisdom Sports Group ("**Wisdom**" or the "**Company**") has been rooted in road running industry for many years and can be regarded as a pioneer in the field. Over years of development, it has organised many well-known marathon events and become a leading company in the industry.

Wisdom went through a tortuous journey in 2019. Due to widely-known reasons, Wisdom no longer had the right to be the exclusive co-operator of the "Running in China"* (奔跑中國) marathon events, which indeed had negative impacts on the number of events operated by Wisdom and the profitability of Wisdom. However, Wisdom was not tangled with the past and did not hesitate to move forward. Conversely, we still continued to expand large-scale city marathon events depending on our professional ability. Despite the hardships in the process, thanks to our perseverance, we successfully completed all the events and were widely praised.

With the rapid development of national fitness, the road running industry also experienced profound changes in 2019. The slowdown in China's economic growth and the increased downturn pressure have resulted in a more competitive market environment for the road running industry. The objective reality such as the continuous emergence of competitors, the contraction in budget of sponsors, and the overall decline in profitability as a result of the fierce market competition in the entire industry could not be overlooked, which also reminded Wisdom to continuously develop new business patterns based on road running events, explore valuable products and services and further upgrade our business.

* For identification purpose only

Chairlady's Statement

While organising various large-scale marathon events, Wisdom was in line with the three core strategies of "high frequency", "intelligence" and "living" to develop products and services that cater to the mass consumption market in sports and health industry. In the past year, we continuously conducted in-depth research and exploration in health drinks, sports insurance and other fields, deployed to build a mass consumption platform in the fields of sports and health based on our own scenario-related advantages and scale effect, and also continued to study the combination of sports and finance to create a two-wheel driving pattern in the portfolio of "industry + finance".

Since the beginning of 2020, due to the outbreak of the novel coronavirus pneumonia, Wisdom had to decelerate its growth again. Up to now, in order to mitigate the risk of virus spread through crowd gathering, the General Administration of Sport of China has not resumed the operation of large-scale marathon events, and all companies in the industry are therefore facing greater operating pressure. Facing the current situation, while actively communicating with partners, Wisdom is also constantly seeking more development paths and channels, striving to build financial investment platforms both at home and abroad, and further exploring high-quality projects in the extended field of industry chain, so as to make active preparations in all aspects for the rapid rise after the end of the outbreak.

We believe that the outbreak of the epidemic will eventually end. After the end of the outbreak, the mass enthusiasm for sports and health will be released to a greater extent, and their demand for products and services at the extended end of the sports and health industry chain will also be stronger. Wisdom will further stick to its development route at each stage, make active preparations in all aspects, and use the power of "industry + finance" to welcome the era of mass consumption in sports and health industry.

I hereby would like to thank all shareholders for your consistent attention and support to Wisdom, and hope you all take care of yourselves during the epidemic outbreak. Wisdom will be always with you!

Yours faithfully,
Ren Wen
Chairlady

Management Discussion and Analysis

GROUP OVERVIEW

2019 was a year of adjustment and exploration for the business of the Company and its subsidiaries (collectively, the "**Group**"). As the Group no longer had the exclusive right to operate the "Running in China"* (奔跑中國) marathon series starting from 2019, the number of marathon events operated by the Group decreased, which in turn impacted the results of operations of the Group. Meanwhile, China's economic growth also slowed down in 2019, the city marathon industry experienced intense competition as a result of more events operated, which had a significant impact on the marathon sponsorship market, leading to an overall decrease of profit margin for the industry. As a professional sports events operator in China, the Group, with its focus on the three core strategies of "high frequency", "intelligence" and "living", sought to develop a mass consumption platform in the fields of sports and health by leveraging the experience and data accumulated in the operation of more than 200 marathon events over the years, in a bid to provide more diversified products and services to sports consumers.

In response to the economic conditions and industry competition situation, the Group reconstructed its internal management structure and optimised the staff and event cost according to the demand of events, in order to accumulate strength to walk out of the performance turmoil. In addition, the Group also invested in the crossing field along the sports industry chain to lay a good foundation for the development of individual consumer products.

* For identification purpose only

BUSINESS REVIEW

I. Events Operation and Marketing

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

Though no longer having the right to be the exclusive co-operator of the "Running in China"* (奔跑中國) marathon series starting from 2019, the Group still strived to develop city marathon projects, and independently or jointly operated and held a total of 12 marathon events in Rongcheng, Jilin City, Tianjin, Qingdao, Xiangyang, Changsha, Lu'an, Tiemenguan, Jinan, Nanchang and Shenzhen as well as the Dongguan Asian Marathon Championships* (東莞亞錦賽) throughout the year. In the course of the events operation, in order to further improve the standard of the events and the Group's service quality, the Group implemented the "event supervision" system, with a view to resolving all kinds of problems and queries for the runners on site, and also tried a new starting mode under which starters fired the pistol separately in different zones to avoid crowded stampede during the competitions and hence impacting the performance of runners.

For the marketing segment, in the face of the economic downturn in the industry, the Group has enhanced cooperation with event suppliers in material sponsorship, thereby providing a richer variety of materials for event protection and track supply, which was widely praised by the sponsors and runners.

Among the city marathon events held by the Group, four events were named label road races by the International Association of Athletics Federations in 2020. The Shenzhen Marathon* (深圳馬拉松) was named an international gold label road race, whereas the Changsha Marathon* (長沙馬拉松) and the Nanchang Marathon* (南昌馬拉松) were named the international silver label road races and the Jilin City Marathon* (吉林市馬拉松) was named an international bronze label road race, respectively.

* For identification purpose only

II. Sports Services

The Sports Services segment is a vital component of the Group's strategic positioning and generates revenue from the government, users and media companies through the provision of sports service products. Its main feature is the provision of diversified products and services targeting the government procurement market, mass sports consumer market and live events broadcasting market, including areas such as services procured by the government, sports tourism, sports training, individual consumption and live broadcasting and program production.

In 2019, the Group vigorously expanded consumer-end service market by successively putting efforts into sports tourism, sports training and sports equipment sales, etc., and properly establishing a connection among consumer-end service content, thereby achieving mutual benefit and mutual promotion. The newly launched domestic marathon tour package received good response, while the overseas marathon tour business was further enriched in terms of destination choice and product categories. The per customer transaction has steadily increased, and the sports tourism business is expected to further improve in the future. The Group has launched e-commerce sales platforms on the official website and official WeChat platform of each event, so as to use the data traffic to increase its exposure. In 2019, the Group also established close connections and active interactions with more than 5,000 running groups and road running agencies nationwide, laying a good foundation for reputation improvement and future cooperation.

In terms of live events broadcasting service, in addition to the broadcasting of marathon events as usual, the Group also completed more than 100 television and internet broadcasts of other types of events such as basketball, football, volleyball, table tennis and badminton, and participated in the live broadcasting of large-scale tournaments including the National Youth Games, the Military World Games and the International Shooting Sport Federation (ISSF) World Cup. The Group contracted to purchase two units of 4K HD broadcasting vehicles, laying a good foundation for the Group to further reduce the cost of live broadcasting and solicit more business opportunities relating to live events broadcasting service.

OUTLOOK OF THE INDUSTRY AND THE GROUP

Since the beginning of 2020, China has been affected by the outbreak of the novel coronavirus pneumonia, many industries were experiencing temporary shutdown and halting production. This epidemic has material impacts on China's sports industry, and all large-scale sports events in China have been postponed, suspended or cancelled.

Facing this situation, the Group, on one hand, is actively assessing the organisation of events together with local governments and making preparations for the immediate funding and professional staffing after the resumption of large-scale sports events. On the other hand, the Group will further strengthen the research and development on the sports and health consumption market and carry out product and service development, so that it can quickly conduct business expansion after the end of the outbreak.

Meanwhile, the Group will fully tap into the huge commercial value released by the integration of sports and the Internet, provide users with better individualised products and services, and develop the business of health drinks and sports food through cooperative development of products and cooperative sales. In addition, the Group will rely on big data technology to provide customised and scenario-based insurance products for the sporting community based on its own scenario-related advantages and scale effect. Sports financial products and services will become one of the important business growth points of the Group in the future.

The Group has completed its preliminary strategic layout in the field of sports and health consumption, which is an aggressive evolution to a development model in higher dimension. In the future, the Group will actively develop products for the mass health and mass consumption market, stick to the development direction of diversified business patterns, and comprehensively upgrade its business in the portfolio of "industry + finance".

FINANCIAL REVIEW

During the year ended 31 December 2019 (the "**Reporting Period**"), the Group had three business divisions which represented three reportable operating segments, namely: (a) the Events Operation and Marketing segment: providing mainly marketing services in conjunction with sports-related competitions. Its revenue includes mainly corporate sponsorship income; (b) the Sports Services segment: providing services mainly to government, marathon runners and media companies in conjunction with sports-related competitions. Types of revenue include mainly events organisation income, live broadcasting and program production income, individual consumption income and timing services income; and (c) the Advertising Program and Branding segment: providing advertising services. Its revenue includes advertising income.

Revenue

The Group's revenue decreased by approximately 65.1% to RMB159.0 million for the year ended 31 December 2019 from RMB455.4 million for the year ended 31 December 2018. Details based on reportable segments are as follows:

- Revenue from the Events Operation and Marketing segment decreased by approximately 58.6% to RMB74.2 million for the year ended 31 December 2019 from RMB179.4 million for the year ended 31 December 2018. The decrease was mainly due to the loss of the exclusive operating right of the "Running in China"* (奔跑中國) marathon series, which resulted in a decrease in the number of marathon events operated by the Group, as well as slow economic growth resulting in less investment by sponsors;

- Revenue of the Sports Services segment decreased by approximately 55.8% to RMB84.8 million for the the year ended 31 December 2019 from RMB191.7 million for the the year ended 31 December 2018. The decrease was mainly due to the decrease in the number of marathon events operated; and

- Revenue from the Advertising Program and Branding segment was Nil for the year ended 31 December 2019 and RMB84.3 million for the year ended 31 December 2018. The change mainly resulted from the use of the film and television resources accumulated over previous years by the Group to generate revenue in the prior period.

Cost of Services

The Group's cost of services decreased by approximately 43.3% to RMB186.7 million for the year ended 31 December 2019 from RMB329.5 million for the year ended 31 December 2018. Details of such decrease are as follows:

- Cost of the Events Operation and Marketing segment decreased by approximately 19.8% to RMB123.1 million for the year ended 31 December 2019 from RMB153.5 million for the year ended 31 December 2018. The decrease was mainly due to the decrease in the number of marathon events operated;

- Cost of the Sports Services segment decreased by approximately 28.5% to RMB63.6 million for the year ended 31 December 2019 from RMB88.9 million for the year ended 31 December 2018. The decrease was mainly due to the decrease in the number of marathon events operated; and

- Cost of the Advertising Program and Branding segment was Nil for the year ended 31 December 2019 and RMB87.2 million for the year ended 31 December 2018. The change mainly resulted from the costs of the use of the film and television resources accumulated over previous years by the Group to generate revenue in the prior period.

Gross Loss and Gross Loss Margin

As a result of the aforementioned factors, the Group recorded a gross loss of RMB27.7 million for the year ended 31 December 2019 as compared to a gross profit of RMB125.8 million recorded for the year ended 31 December 2018, representing a decrease of approximately 122.0% in gross profit. The Group recognised a gross loss margin of approximately 17.4% for the year ended 31 December 2019 as compared to a gross profit margin of 27.6% for the year ended 31 December 2018. The change in the gross profit was mainly due to the significant decrease in revenue as a result of the decrease in the number of marathon events operated while the cost was not decreased proportionally. The decrease in cost was significantly lower than the decrease in revenue, which was mainly due to: (i) the upgrade of events operation quality and standard, resulting in higher cost per event; and (ii) the amortisation of the operating right to "Running in China"* (奔跑中國) marathon events included in intangible assets of Beijing Shangde Da'ai Sports Co., Ltd.* (北京上德大愛體育有限公司) ("**SDDA**"), a subsidiary of the Company (until mid-June 2019 when the Group determined that it no longer had the exclusive operating right to "Running in China"* (奔跑中國) marathon events), resulting in higher cost. Details are as follows:

- As a result of the foregoing changes in revenue and cost of services of the Events Operation and Marketing segment, the Group recorded a gross loss for the Events Operation and Marketing segment of RMB48.9 million for the year ended 31 December 2019 as compared to a gross profit of RMB25.9 million recorded for the year ended 31 December 2018, representing a decrease of approximately 288.8% in gross profit. The Group recognised a gross loss margin of 65.9% for the year ended 31 December 2019 as compared to a gross profit margin of 14.4% for the year ended 31 December 2018;

- As a result of the foregoing changes in revenue and cost of services of the Sports Services segment, the Group recorded a gross profit for the Sports Services segment of RMB21.2 million for the year ended 31 December 2019 as compared to a gross profit of RMB102.8 million recorded for the year ended 31 December 2018, representing a decrease of approximately 79.4% in gross profit. The Group recognised a gross profit margin of 25.0% for the year ended 31 December 2019 as compared to a gross profit margin of 53.6% for the year ended 31 December 2018; and

- As a result of the foregoing changes in revenue and cost of services of the Advertising Program and Branding segment, the Group did not record a gross loss for the Advertising Program and Branding segment for the year ended 31 December 2019 as compared to a gross loss of RMB2.9 million recorded for the year ended 31 December 2018. The gross loss margin changed to 0% for the year ended 31 December 2019 from 3.4% for the year ended 31 December 2018.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately 65.4% to RMB22.5 million for the year ended 31 December 2019 from RMB13.6 million for the year ended 31 December 2018. The increase was mainly due to the expenses from three subsidiaries newly acquired by the Group between 30 June 2018 and 23 November 2018.

* For identification purpose only

General and Administrative Expenses

The Group's general and administrative expenses increased by approximately 19.7% to RMB68.0 million for the year ended 31 December 2019 from RMB56.8 million for the year ended 31 December 2018. This increase was mainly due to the expenses from three subsidiaries newly acquired by the Group between 30 June 2018 and 23 November 2018.

Other Income

The Group's other income decreased by approximately 79.9% to RMB17.7 million for the year ended 31 December 2019 from RMB88.0 million for the year ended 31 December 2018. The decrease was mainly due to the share compensation received from SDDA in the prior period and the decrease in the income generated from the low-risk treasury products purchased from reputable commercial banks.

Other Losses

The Group's other losses increased to RMB397.9 million for the year ended 31 December 2019 from RMB8.4 million for the year ended 31 December 2018. The increase in losses was mainly due to: (i) the impairment of goodwill under the Events Operation and Marketing cash-generating unit ("**CGU**") and the Sports Services CGU; (ii) the write-off of an exclusive operating right to a "Running in China"* (奔跑中國) marathon event included in intangible assets of SDDA; (iii) the loss on disposals of mainly Hong Kong listed equity securities under financial assets at fair value through profit or loss; and (iv) the increase in allowance for impairment of receivables.

Loss before Income Tax

As a result of the foregoing, the Group recorded loss before income tax of RMB499.9 million for the year ended 31 December 2019 as compared to a profit before income tax of RMB119.4 million recorded for the year ended 31 December 2018, representing a change of approximately -518.7% in profit before income tax.

Income Tax Credit

The Group's income tax credit was RMB15.3 million for the year ended 31 December 2019 while the income tax expense was RMB67.4 million for the year ended 31 December 2018. The change was mainly due to the reversal of deferred tax liability upon the write-off of an exclusive operating right to a "Running in China"* (奔跑中國) marathon event included in intangible assets of SDDA.

Loss Attributable to the Owners of the Company

As a result of the foregoing, the loss attributable to the owners of the Company amounted to RMB455.1 million for the year ended 31 December 2019 as compared to the profit attributable to the owners of the Company of RMB46.4 million for the year ended 31 December 2018.

Cash Flow

As at 31 December 2019, the Group's cash and cash equivalents amounted to approximately RMB167.3 million as compared to that of approximately RMB417.4 million as at 31 December 2018.

* For identification purpose only

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

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	**(56,048)**	96,964
Net cash (used in)/generated from investing activities	**(88,387)**	93,923
Net cash used in financing activities	**(106,187)**	(98,762)
Net (decrease)/increase in cash and cash equivalents	**(250,622)**	92,125
Cash and cash equivalents at the beginning of the year	**417,355**	324,434
Effect of foreign exchange rate changes	**584**	796
Cash and cash equivalents at the end of the year	**167,317**	417,355

Net Cash Generated from/(Used in) Operating Activities

Net cash generated from operating activities amounted to approximately RMB97.0 million for the year ended 31 December 2018, while net cash used in operating activities amounted to approximately RMB56.0 million for the year ended 31 December 2019. The change was mainly attributable to the operating loss incurred.

Net Cash Generated from/(Used in) Investing Activities

Net cash generated from investing activities amounted to approximately RMB93.9 million for the year ended 31 December 2018, while net cash used in investing activities amounted to approximately RMB88.4 million for the year ended 31 December 2019. The change was mainly attributable to the decrease in the net proceeds from disposal of treasury products, cash paid for acquisition of a subsidiary in 2018, purchases for unlisted equity securities under financial assets at fair value through other comprehensive income, increase in prepayments for property, plant and equipment and increase in security trading account's balances.

Net Cash Used in Financing Activities

Net cash used in financing activities increased to approximately RMB106.2 million for the year ended 31 December 2019 from approximately RMB98.8 million for the year ended 31 December 2018. 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 60.6% to RMB312.1 million as at 31 December 2019 from RMB791.9 million as at 31 December 2018. The current asset value of the Group decreased, while the working capital was maintained 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 expenditure on the acquisition of property, plant and equipment amounted to RMB1.5 million for the year ended 31 December 2019 (year ended 31 December 2018: RMB10.5 million). The decrease was mainly due to the acquisition of SDDA and First AI Sports Technology (Shenzhen) Co., Ltd.* (第一智能體育科技(深圳)有限公司) ("**First AI Sports**") in the year ended 31 December 2018.

* For identification purpose only

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. As at the date of this annual report, no option has been exercised. The options to subscribe for a total of 2,500,000 shares of the Company were granted on 29 May 2015 to employees of the Group. 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 2019.

CHARGE ON ASSETS

As at 31 December 2019, there was no charge on the Group's assets (2018: Nil).

CONTINGENT LIABILITIES

As at 31 December 2019, the Group has a contingent liability of RMB2.3 million relating to a litigation matter undergoing in the People's Republic of China (the "**PRC**") about a breach of contract for the provision of Events Operation and Marketing services (2018: RMB1.9 million about litigation and arbitration matters of service requisitions and labour disputes). The directors of the Company (the "**Directors**" and each a "**Director**") 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.

CONTINGENCIES

External Guarantees

The Group confirmed that, for the year ended 31 December 2019, the Group had not provided any external guarantee.

ASSETS WITH RESTRICTED OWNERSHIP

The Group confirmed that, for the year ended 31 December 2019, the Group had no assets with restricted ownership.

LITIGATION

In December 2019, several subsidiaries of the Company began to initiate legal proceedings (the "**Legal Proceedings**") against Wisdom Sports Arena Operation (Shenzhen) Co., Ltd. (the "**Arena Company**") in relation to, among others, (i) return of loan; (ii) return of investment; (iii) return of prepayments; and (iv) return of payment on behalf, amounting to a total claim of approximately RMB38.0 million. Most of the Legal Proceedings formally commenced in February 2020. Please refer to the Company's announcement dated 11 February 2020 for further details. As at the date of this annual report, none of the Legal Proceedings have been concluded.

Save as disclosed in this annual report, there is no occurrence of events that had a significant impact on the Group's operation, financial and trading prospects since 31 December 2019 and up to the date of this annual report which the Board is aware of.

FINANCIAL RATIO

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

Financial Ratios	As at 31 December 2019	2018
Current Ratio	**445.4%**	801.3%
Debt-to-adjusted capital Ratio	**N/A**	N/A

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

On 11 January 2019, 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) to subscribe the investment of RMB50.0 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 Rules Governing the Listing of Securities on the Stock Exchange (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 Group did not make any significant investments during the year ended 31 December 2019. Save as disclosed in the subsection headed "Events after the Reporting Period" in the Directors' Report and Note 47 to the consolidated financial statements in this annual report, no plan for significant investment or acquisition of capital assets in the future was noted as at the date of this annual report.

PROVISION OF LOAN

On 1 November 2019, Wisdom Sports Entertainment (Zhejiang) Co., Ltd.* (智美體育文化(浙江)有限公司) ("**Wisdom Zhejiang**"), a wholly-owned subsidiary of the Company, entered into a loan agreement with Beijing Allx Health Technology Co., Ltd.* (北京全向時空健康科技有限公司) ("**Beijing Allx**"), pursuant to which Wisdom Zhejiang agreed to provide a three-year loan of RMB50,000,000 to Beijing Allx, which bears interest at a rate of 4.75% per annum. The loan is guaranteed by the security provided by independent third party guarantors.

This transaction constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules. For details, please refer to the announcements of the Company dated 3 November 2019 and 8 November 2019, respectively.

* For identification purpose only

Corporate Governance Report

The board (the "**Board**") of Directors is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 December 2019.

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 Listing Rules. 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 2019, the Company has complied with the code provisions as set out in the CG Code, save as disclosed in this Corporate Governance Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

During the year ended 31 December 2019, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code 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 2019.

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

Corporate Governance Report

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)*
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)*

Throughout the year ended 31 December 2019, the Board held four meetings. The attendance records of the Board meetings are set out under "Attendance Records of Directors and Committee Members" in this Corporate Governance Report.

The biographical information of the Directors is set out in the section headed "Directors, Senior Management and Employees" on pages 74 to 76 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 2019, 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 eligible for 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 the Directors, please refer to the subsection headed "Directors' Service 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 makes 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 keep abreast of responsibilities as a Director and of the conduct, business activities and development of the Company.

Each 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 2019, 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. Sheng Jie[1]	C, R, I
Mr. Song Hongfei	C, R, I
Ms. Hao Bin	C, R, F, I
Mr. Zhang Han[1]	N/A
Independent Non-executive Directors	
Mr. Chen Zhijian	F, R
Mr. Ip Kwok On Sammy	F, R
Mr. Jin Guoqiang	F, R

Keys:
C: Corporate governance
R: Regulatory updates
F: Finance and accounting
I: Industry updates

Note:

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. As such, Mr. Zhang Han was no longer required to have any training for the Reporting Period.

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 2019 is set out below:

Remuneration bands	Number of persons
Nil to HKD1,000,000	3
HKD1,000,001 to HKD2,000,000	2
HKD2,000,001 to HKD3,000,000	1
HKD4,000,001 to HKD5,000,000	1
HKD8,000,001 to HKD9,000,000	1

Particulars regarding Directors' remuneration and the five highest paid individuals as required to be disclosed pursuant to the Listing Rules are set out in Notes 17(a) and 16(a) to the consolidated financial statements of this annual report respectively.

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 the shareholders of the Company (the "**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 (the 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). 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 three meetings during the year ended 31 December 2019 to review annual financial results and report in respect of the year ended 31 December 2018 and interim financial results and report in respect of the six months ended 30 June 2019 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 (the chairman) and Mr. Chen Zhijian, both an independent non-executive Director, and Mr. Song Hongfei, who is an executive Director.

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 three meetings during the year ended 31 December 2019 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 (the chairlady), executive Director, and Mr. Ip Kwok On Sammy and Mr. Jin Guoqiang, independent non-executive Directors.

The primary duties of the Nomination Committee include, without limitation, 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 two meetings during the year ended 31 December 2019 to review the structure, size and composition of the Board, the independence of the independent non-executive Directors, to consider and recommend 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 of the Company. 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 came 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.

At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not adopted any measurable objective.

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 with 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 2019 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	2/2	N/A	N/A	1/1
Sheng Jie	4/4	N/A	N/A	N/A	1/1
Song Hongfei	4/4	N/A	3/3	N/A	1/1
Hao Bin	4/4	N/A	N/A	N/A	1/1
Chen Zhijian	4/4	N/A	3/3	3/3	1/1
Ip Kwok On Sammy	4/4	2/2	N/A	3/3	1/1
Jin Guoqiang	4/4	2/2	3/3	3/3	1/1
Zhang Han[1]	0/0	N/A	N/A	N/A	0/0

Note:

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

Apart from regular Board meetings, the chairlady of the Board also held one meeting with the independent non-executive Directors without the presence of the other Directors during the year ended 31 December 2019.

RISK MANAGEMENT AND INTERNAL CONTROLS

1. 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.

2. 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 of the Company is delegated with the internal audit responsibility. It 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 plans to regulate such risk are reported to the Audit Committee.

The internal control department is responsible for assisting the Audit Committee to review the 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.

3. Risk Management

3.1 Risk Management Objectives

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.

3.2 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 summarized 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 the risks or perfect countermeasures, so that the overall level of risk of the Group can be reduced to 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.

3.3 Significant Risks

The Group has conducted the process of risk identification and assessment according to the corporate risk management framework in 2019. 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
Industry Competition Risk	**The Rise of IP Events of Major Brands Increases the Competitive Risk of the Industry** The number of marathon operators had increased significantly. At present, there are corresponding operators that have also created different marathon series events. In addition, the Company no longer had the exclusive operation right of "Running in China"* (奔跑中國) marathon series this year, so the market competition pressure is increasing.	Although no longer having the exclusive operation right of "Running in China"* (奔跑中國) marathon series, the Company still focused on building and developing urban marathon events, and further increased cooperation with the government and other operators to ensure more competition resources and market shares.	Increase

* For identification purpose only

Risk Category	Risk Description	Risk Control Measures	Risk Change Trend
Operation Risk	**Customer Outflow Risk** In 2019, the overall development trend of China's economy slowed down, with the fierce competition in the marathon market, and operators continued to enter the market through the low-cost strategy to obtain competition resources and marketing customers, which made the overall marathon marketing market more transparent, the overall gross profit margin of the industry decreased, and the profit margin also decreased.	On the one hand, the Company actively improved the quality of the events, Constantly optimized the service content, on the other hand, conducted in-depth communication with customers, and established long-term partnership with sponsors. In addition to marathon events, the Company also provided sponsors with marketing planning and other activities in addition to events to obtain additional revenue.	Increase
Operation Risk	**Professional Management Talents Outflow Risk** Due to the fierce market competition and the surging of operators, there were needs to obtain excellent marathon operators among industries, and operators also scrambled for excellent professionals, which led to the loss of existing mature marathon operators.	Through human resource management and corporate culture publicity and implementations, the Company increased the stability of core management and marathon professional operators and provided more training and practice opportunities for employees, so that employees could obtain comprehensive development, ensured that the Company's core operators from draining, and maintained the industry-leading operation ability.	Increase

4. Internal Control

4.1 *Objectives 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.

4.2 *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 sets up the internal control department which is responsible for the work of internal control. For the year ended 31 December 2019, the Group has carried out risk-oriented internal control evaluation on financial reporting process, treasury and financial asset management, tax filing management and human resource management. 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 2019, the Board believes that the Group has implemented closed-loop management mechanism of internal control from planning, reviewing, reporting to follow-up. The systems of risk management and internal control were effective and adequate, and relevant procedures for financial reporting and Listing Rules compliance were effective. There were no findings of significant matters that might affect the Group's financial, operation and compliance controls as well as risk management.

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

4.3 *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 2019.

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 77 to 84 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, and its affiliates in respect of audit related services and non-audit related services for the year ended 31 December 2019 is set out below:

Service Category	Fees Paid/ Payable RMB'000
Audit related services	2,200
Non-audit related services	110
	2,310

COMPANY SECRETARIES

Ms. Hao Bin ("**Ms. Hao**"), assistant president of the Company and the general manager of the internal control department of the Company, and Ms. Chan Sau Ling ("**Ms. Chan**") 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. The primary contact person of Ms. Chan at the Company was Ms. Hao.

Since Ms. Hao has been appointed as a joint company secretary of the Company, Ms. Hao has discharged her duty as a joint company secretary of the Company with the assistance of Ms. Chan and Ms. Kam Mei Ha Wendy (former joint company secretary of the Company) and has acquired the relevant experience required under Rule 3.28 of the Listing Rules. The Company applied for and the Stock Exchange approved on 20 November 2019 agreeing that Ms. Hao is qualified to act as the company secretary of the Company under Rule 3.28 of the Listing Rules.

Ms. Chan resigned as joint company secretary of the Company with effect from 30 December 2019. Following the resignation of Ms. Chan, Ms. Hao has been acting as the sole company secretary of the Company. For details, please refer to the Company's announcement dated 30 December 2019.

In compliance with Rule 3.29 of the Listing Rules, both Ms. Hao and Ms. Chan received no less than 15 hours of trainings during the year ended 31 December 2019.

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 Meetings 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 as 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:	7/F, Block 1, No. 16, Xinyuanli, Chaoyang District, Beijing, PRC (Attention: The Investor Relations Department)
Fax:	(+86)10-84865300
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)10-84865300 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 AGMs to meet Shareholders and answer their enquiries. The 2020 AGM will be held on Tuesday, 30 June 2020 and the notice of AGM will be sent to Shareholders at least 20 clear business days before the 2020 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 2019, 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 forth 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 offices ("**office**(s)") in Beijing, Shenzhen and Hong Kong and 12 marathon events ("**marathon event(s)**") in the PRC, from 1 January 2019 to 31 December 2019, unless otherwise stated.

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 organisations, suppliers, business partners and event participants to gain further insights on ESG material aspects and challenges during the Reporting Period. Through meetings and surveys, the Group and its stakeholders identified the following top six material aspects:

- Product and service quality
- Business ethics
- Customer privacy and corporate information protection
- Intellectual property
- Staff development and training
- Event safety

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 at (+86) 10-84865300 or email at ir@wisdomsports.com.cn.

The Group's Mission and Strategies

The Group proactively opens up and promotes major marathons and other sports events in various regions. We also further strengthen our research and development efforts on products and services for the mass consumption market in sports and wellness.

At the same time, we will explore the full potential commercial value from the integration of sports and the Internet so as to provide better customised products and services to our customers. We develop the area of healthy foods and beverages through joint product development and collaborative sales. We make use of big data to provide customised and scenario-based insurance products for people who actively participating in sports. With the advantages and scale of the scenario-based insurance products, we believe financial products and services relating to sports will become one of the key business growth in the future.

The Group has completed our initial strategy plan in the mass consumption in sports and wellness. It marks as an evolution to a multi-dimensional development model. In the future, we will actively develop products for mass consumption market in sports and wellness, adopt diversification as our main corporate strategy and improve the Group through the integration of "Industry + Finance".

A. ENVIRONMENTAL

A1. Emissions

Due to the nature of the business, the Group did not involve emissions related to manufacturing or production. The Group's business operations in Hong Kong and the PRC, are 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 the offices and marathon events, which contributed to the emissions as follows.

	Unit	2019[1,2]	2018
Sulphur oxides ("SOx")	Kg	0.82	0.12
Nitrogen oxides ("NOx")	Kg	2.34	3.25
Respiratory suspended particles ("PM")	kg	0.41	0.39

Moving forward, the Group will continue to monitor closely on the usage of the Group's motor vehicle and refine the data collection system.

1 The calculation of the air pollutant emissions is made reference to "Technical Guidelines for the Preparation of Air Pollutants Emission Inventory for Road Vehicles" (《道路機動車大氣污染物排放清單編制技術指南》).

2 The assumption of amount of petrol consumption per vehicle was 0.08 liters/kilometer. This assumption was made by dividing the consumption of petrol (in litres) by the distance travelled (in kilometres) per vehicle.

A1.2 Greenhouse Gas ("GHG") Emissions[3]

Scope of GHG Emissions	Unit	2019	2018
Scope 1 Direct Emission			
Combustion of Fuel for Mobile Sources	tonnes of equivalent CO_2	29.35	21.22
Scope 2 Indirect Emission			
Purchased Electricity[4]	tonnes of equivalent CO_2	29.17[5]	84.76
Scope 3 Other Indirect Emission			
Paper Waste Disposal	tonnes of equivalent CO_2	2.06	1.49
Business Air Travel	tonnes of equivalent CO_2	128.92	101.47
Total	tonnes of equivalent CO_2	189.50	208.94
Intensity	tonnes of equivalent CO_2 per employee	2.75[6]	1.12

During the Reporting Period, the major source of GHG emission was still the business air travel. As for Scope 1 direct Emission of GHG, there was around 38% increase compared with that in 2018 due to an increase of usage of the motor vehicles. Due to office relocation in Beijing office in mid-2019 and purchased electricity was included in the rental fee from this point onwards, there was a 66% cut on purchased electricity compared with that in 2018. There was an increase in paper waste disposal which had a 38% increase and an increase of business air travel which was around 27%. The Group will continue to monitor closely on the emission of Greenhouse gas and focus on controlling the source of Greenhouse gas emission including assessments on the necessity of business travel.

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 a qualified cleaning company for further handling.

3 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.

4 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.

5 A large reduction of purchased electricity incurred due to a change of office location at Beijing, the new office at Jingxin Building has its purchased electricity included at its rental fee.

6 Calculated based on 69 employees as at 31 December 2019 and 187 employees in 2018. As there was a notable decrease in the number of employees during the reporting period compare with that in 2018, the intensity of carbon dioxide equivalent per employee therefore had a significant increase on GHG Emissions.

A1.4. Non-hazardous Waste

The Beijing and Shenzhen offices' operation disposed of a total of 0.57 tonnes of waste paper in the Reporting Period. An 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 depending on the waste type. Approximately 49.86 tonnes of plastic water bottles, disposable paper cups, sponge and disposable raincoats were collected from the marathon events during the Reporting Period.

	Unit	2019	2018
Wastepaper	tonnes	0.57[7]	0.31
General waste	tonnes	49.86	73.85

The consumption of wastepaper had an increase of around 84% of waste paper consumed due to the increase in paper usage at the office. General wastes production had a decrease of around 32% less than that of 2018.

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 encourage the usage of teleconferencing systems for meetings and conferences to limit the frequency of business travelling.

7 This is the sole consumption amount of paper usage.

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 the marathon" starting in 2015, in which incentives are given to the general public to pick up trash themselves and for others after the race.

The Group also maximises reuse of materials in event operations and engaged partners with qualified collectors to handle both recyclables and non-recyclable items. Each division of the operation is required to manage its waste handling and recycling. For example, contractors shall be responsible for collecting and handling their building materials and related construction waste. Mobile toilets are managed properly during the marathon 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 a comprehensive and sustainable development of the Company.

A2.1. Energy Consumption

	Unit	2019	2018
Electricity	kWh	41,876	116,173
Petrol	kWh	101,617	69,750[8]
Total energy consumption	**kWh**	**143,493**	**185,923**
Overall Energy Intensity (marathon events)	**kWh per event**	**11,958**	**11,620**
Electricity intensity (offices[9])[10]	**kWh per sq.m**	**17**	**26**
Electricity intensity (marathon events[11])[12]	**kWh per event**	**2,804**	**2,622**

As for purchased electricity, there was a notable cut on electricity consumption and the corresponding intensity for office which was around 64% and around 35% difference respectively due to the relocation of Beijing office occurred in July 2019; however, there was around 7% increase of electricity consumption per event. As for petrol consumption, there was an around 46% increase in comparison with that in 2018. The total amount of energy consumption had an around 23% decrease due to the notable cut on purchase electricity. Overall energy intensity per marathon event had around 3% increase compared to that of 2018.

A2.2. Water Consumption

Water consumption in the Beijing office is included in the property management fee and as there is no permanent employee working at Hong Kong office, almost no water consumption is incurred, thus no such data is being presented in this report. Shenzhen office has consumed 24 m^3 of freshwater. A total of 1,464m^3 of freshwater was consumed during the marathon events of the Group during the Reporting Period, but all water consumed was provided by the suppliers and sponsors engaged by the Group.

	Unit	2019	2018
Water consumption (offices)	m^3	**24**	**N/A**
Intensity (offices)	m^3/employee	8[13]	N/A
Water consumption (marathon events)	m^3	**1,491**	**1,452**
Intensity (marathon events)[11]	m^3/event	124.25	90.75

8 The data is restated.

9 The size of old Beijing office which was 333.97m^2 and Shenzhen office which was 156.55m^2.

10 The calculation only included electricity consumption incurred from offices which was 8,232kwh during the Reporting Period.

11 In 2019, there were 12 marathon events. In 2018, there were 16 marathon events.

12 The calculation only included electricity consumption incurred from marathon events which was 33,644kwh during the Reporting Period.

13 The total number of employees in Shenzhen office in 2019 was 3 as at 31 December 2019.

Compared with 2018, as Shenzhen office was newly included for ESG data disclosure starting from 2019, there was an increase in water consumption of office during the Reporting Period. As for water consumption of event, there was around 3% of a slight increase and around 37% of increase in the intensity of water consumption for marathon per event during the reporting period due to a decrease on the number of marathon events held in 2019 compared with that in 2018.

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 inspect water use after each shift to reduce unnecessary water 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 training 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 promptly after the marathon races to restore them to original condition.

A3.1. Significant Impacts of Activities on the Environment

The Group's business activities do not generate material impacts on the environment and natural resources, other than minor impacts due to electricity consumption from the office operation in Beijing and frequent business air travel for organising 12 marathon events in different cities in the 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 to promote the concept of green, healthy and low-carbon lifestyle, and will continue putting efforts on optimal utilisation 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 minimising 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, compensation, 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 concerning 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
- Employment Ordinance of Hong Kong

The above laws were written to protect employee's legitimate rights and to ensure that 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 the 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 the employee and provides detailed 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 that they enjoy social insurance benefits. Furthermore, under 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 69 employees as of 31 December 2019, in which all employees were full-time employees from the PRC. Comparing with the employee number as at 31 December 2018, there was around 63% decrease in the workforce due to business adjustment and natural attrition.

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 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 regularly. Moreover, the Group showed care for 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 assessments 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.

Dismissal

The Group has its policies stated that all full-time employees have to prepare written notice in advance to the Group 30 days before his/her resignation date. For employees under probation, three days in advance notice to the Group is required for termination of employment contract. The Group would ensure that the employees have returned all properties which belong to the Group and all work-related information remains in the Group. Any losses incurred that harmed the Group's interest due to incompliance with the resignation procedures for resignation caused by the employees, the employees would be liable for the compensation of the Group's loss.

Working Hours and Rest Periods

The Group observed the provisions of the Labour 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. Besides, the Group provided full protection for paid leave entitlement, including annual leave, to its employees.

Equality, Diversity and Anti-discrimination

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, racism, and religious discrimination.

B2. Employee Health and Safety

Due to the nature of the business, the Group does not involve working in a manufacturing or production environment. The Group strictly observed the laws and regulations concerning 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 under the Law of the PRC on the Prevention and Control of Occupational Diseases, the Group's business has minimal exposure to occupational diseases and hazards. Nevertheless, all employees are required to provide medical records dated within the past six months upon recruitment and will be provided with an 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 training on health and safety risks which may arise from business trips or at work, 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 had a significant impact on the Group relating to the 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 to satisfy the development needs of staff from various positions. At the same time, to meet the market demand and business growth, the Group recognises the significance of providing comprehensive training and development opportunities to build an outstanding sports event operation and management team. Specific training in the areas of international and local market trends, industrial standards, organisation management and business strategy were provided with a total of 156 participants.

	Unit	2019	2018
Percentage of Employees Trained			
By Gender			
Male	%	69	119
Female	%	81	130
By Employment Category			
Senior Management	%	86	100
Middle Management	%	78	330
Frontline and Other Employees	%	73	112
Average Training Hours Completed per Employee			
By Gender			
Male	hours	50	107
Female	hours	89	136
By Employment Category			
Senior Management	hours	30	40
Middle Management	hours	60	264
Frontline and Other Employees	hours	69	113

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 organised by institutions of higher learning;
- The Group hire experts in the industry or senior lecturers in the related field to give lessons to employees;
- The Group arranges e-training courses to facilitate the 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 Labour 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 concerning labour 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 a college 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 the labour contract. A labour union has been established to guarantee the independent operation of the union under the Trade Union Law of the PRC and other relevant requirements.

2. Operating Practices

B5. Supply Chain Management

Operation process optimisation and the 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 the selected suppliers. 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 to environmental protection and social responsibility upon engagement.

Admission of Suppliers

- The Group conducts comprehensive assessments 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. Besides, 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 exercises 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 labour 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 intending 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 recognised with certifications. Arbitration committee is being set up for every event 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 that consistent and professional sports services and events are provided. To ensure a smooth bidding work, the Group has standardised 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 the registration-related procedure, official website, data management, event short message service (SMS) planning, consulting works and result announcements. The Group has a standardised 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 the 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 before, during and after the event.

The Group has also set up an organising committee and customer service hotline and emails as proper channels 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, marathons may cause physical sickness to some of the participants due to the strong intensity of exercise. To ensure the safety of participants, the Group optimises its application management and sports events management system continuously 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 or post-marathon reports, etc.;

- 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 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 before 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 provides AED (Automated External Defibrillator) along the track and near the finish line to prevent accidents and ensure timely and effective rescue measures;

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

Intellectual Property

To maximise 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 clear on the intellectual property right's ownership, the scope of use, development result, etc., as well as proper handling of relevant legal documents and the non-disclosure agreement in the employment contract. To implement the objectives stated above, the Group has established "Intellectual Property Rights Protection Notice" as guidelines for employees and relevant parties to follow and comply.

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 concerning 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 concerning 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 for 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 compliant 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. Business partners with the Group must sign an agreement on the prohibition of commercial bribery upon engagement when necessary.

The Group has effectively managed its corruption-sensitive segments and prevented the risk of noncompliance 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 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 internal control department 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 has organised anti-corruption publicity and education for its staff regularly.

Anti-corruption Handling

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

- The Group complied 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 uniquely fulfilled its corporate social responsibilities and contributed to the promotion of nationwide fitness. The Group has established "Policies on Community Investment and Charity Management" stating out the approval procedures and responsibilities of each party for employees to follow and comply.

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 through online promotion, and distribution of promotional materials at the event to enhance 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 52,800 RMB to the Nanchang Charity Association;
- In Xianning, the Group has donated books, learning facilities and sports equipment to the Xianning Shuangxi Sunjian Primary School for the library establishment project; and
- The Group has donated 300 sports T-shirts to students at Henan Zhumadian First Primary School.

Directors' Report

The Directors are pleased to submit their annual report together with the audited financial statements for the year ended 31 December 2019.

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 major subsidiaries are set out in Note 26 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 2019, 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.

- In the course of marathon events, the participants may encounter 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 gathering 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.

- Marathon market is becoming increasingly popular, industry competitors are constantly emerging, and the competition is getting keener. As economic growth of the PRC slowed down, the main revenue of marathon events comes from the sponsorship amount of sponsors. The poor economic situation will lead to the cancellation or reduction of the budget of sponsors, which will have negative impacts on the Company's profits.

- During the implementation of events, the Company needs to keep in touch with local governments, sports bureaus, television stations, 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 Groups 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.

- Occurrence of major public health and safety emergencies, such as the novel coronavirus pneumonia outbreak negatively affects the Group. In order to avoid the spread of virus caused by crowded gathering, large-scale sports events will be cancelled or postponed for a long time, which will have negative impacts on the Company's business development and 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 178 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.

EVENTS AFTER THE REPORTING PERIOD

The prevalence of the novel coronavirus pneumonia from January 2020 has hindered the organisation of sports-related competitions globally to minimise the risk of human transmission among participants. As a result, it is expected the Group's consolidated financial performance, consolidated financial position and consolidated cash flows would be affected in 2020 under the temporary suspension of marathon and other sports events. Nevertheless, the Board is of the opinion that the Group would be able to continue as a going concern based on the Group's net current assets position as at 31 December 2019.

In addition, the Board announced on 25 March 2020 that the Company entered into a non-legally binding memorandum of understanding (the "**MOU**") with a vendor (the "**Vendor**"). Pursuant to the MOU, subject to the terms and condition to be set out in a subsequent legally binding sale and purchase agreement, the Company will acquire and the Vendor will sell the non-majority controlling interest (the "**Possible Acquisition**") of a company incorporated in the British Virgin Islands (the "**Target Company**", together with its subsidiaries, the "**Target Group**") which is the holding company of two corporations being licensed by the Securities and Futures Commission to, subject to certain conditions, carry on regulated activities in Hong Kong under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**"). The consideration for the Possible Acquisition will be determined, subject to adjustments, after the Company has conducted a valuation on the Target Company. Please refer to the Company's announcement dated 25 March 2020 for further details.

On 2 April 2020, the Group subscribed for a certain portion of an investment fund with RMB32.0 million (the "**Subscription**"). The fund is managed by Qianhai Century Fund Management Co., Ltd. as the fund manager. The fund is mainly invested in "Jubao No.1 Private Investment Fund" managed by the fund manager. The subject fund is a private investment fund managed by the fund manager, which mainly invests in various monetary instruments, bonds, bond funds, and other fixed incomes and fixed-class income products. The maturity date of the investment is on 18 May 2020. Please refer to the Company's announcement dated 2 April 2020 for further details.

On 7 April 2020, a wholly-owned subsidiary of the Company namely Beijing Wisdom Sports Industry Co., Ltd.* ("**Beijing Wisdom Sports**") entered into the trust scheme Agreement with Chang'an International Trust Co., Ltd. ("**Chang'an International Trust**"), pursuant to which Beijing Wisdom Sports agreed to invest in the trust scheme named as Chang'an Trust – Wenjian Zengli No.1 Trust Scheme* (長安信託•穩健增利1號集合資金信託計劃) established by Chang'an International Trust for a total of RMB40.0 million. The trust scheme will invest in, among others, various monetary instruments, bonds, bond funds, and other fixed incomes products and other short-term financial instruments with low risk and good liquidity. The maturity date of the investment is on 8 July 2020. Please refer to the Company's announcement dated 7 April 2020 for further details.

On 20 April 2020, the Group withdrew the investment fund under the Subscription before the maturity date due to commercial considerations and further business integration and development plans of the Group. Please refer to the Company's announcement dated 20 April 2020 for further details.

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 2019.

Relationships with Employees, Customers, Suppliers and Others

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

* For identification purpose only

Employees

Ongoing professional development is important to the employees given the competitive business environment in which the Group operates. To ensure employees can 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 2019 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 2019.

The Group's five largest customers are engaged in business ranging from the sports culture industry to the multimedia industry. Among them, the Group has been in cooperative relationship with a customer in the sports culture industry for 8 years. During the year ended 31 December 2019, the Group's five largest customers accounted for approximately 30.5% of the Group's total revenue from rendering of services and the Group's largest customer for the year accounted for approximately 8.8% of the Group's revenue from rendering of services.

The Group's five largest suppliers are engaged in business ranging from the multimedia industry to the sports culture industry. Among them, the Group has been in cooperative relationship with a supplier in sports culture industry for 8 years. During the year ended 31 December 2019, the Group's five largest suppliers accounted for approximately 26.3% of the Group's total purchases, while the largest supplier for the year accounted for approximately 9.0% 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 of the Company who owns more than 5% of the number of issued shares of the Company 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 2019 are set out in the consolidated statement of profit or loss and other comprehensive income of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: RMB0.062 per Share). The Company did not declare payment of an interim dividend for the six months ended 30 June 2019.

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 amounted to approximately RMB635.9 million (the "**Net Proceeds**").

The Net Proceeds had been fully utilized during the year ended 31 December 2018.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2019 are set out in Note 36 to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounted to approximately RMB160,202,000.

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 2019 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 2019.

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 2019.

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 2019.

EXCHANGE RATE

For the year ended 31 December 2019, the Group faced no major difficulties or impacts regarding its operations or capital flow due to the fluctuation of foreign exchange rate.

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, 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[1]
Mr. Sheng Jie	Vice chairman and executive Director	2 January 2019[2]
Mr. Song Hongfei	Executive Director	26 August 2016[3]
Ms. Hao Bin	Executive Director	1 June 2017
Mr. Chen Zhijian	Independent non-executive Director	15 February 2018[4]
Mr. Ip Kwok On Sammy	Independent non-executive Director	14 June 2013[3]
Mr. Jin Guoqiang	Independent non-executive Director	14 June 2013[5]

Notes:

1. Retired and re-elected at the AGM on 1 June 2017.
2. Re-elected at the AGM on 28 June 2019.
3. Retired and re-elected at the AGM on 28 June 2019.
4. Re-elected at the AGM on 29 May 2018.
5. Retired and re-elected at the AGM on 29 May 2018

Ms. Ren Wen, Ms. Hao Bin and Mr. Chen Zhijian 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 the 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

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

Directors' Remuneration

Details of the Directors' remuneration are set out in Note 17(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' Service 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 2019 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 the period commencing from 20 March 2018 to the date of the 2021 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 a period commencing from 30 May 2018 to the date of the 2021 AGM; Ms. Hao Bin has entered into a service contract with the Company for a term of three years commencing from 1 June 2017; whilst Mr. Zhang Han, who resigned with effect from 2 January 2019, has previously entered into a service contract with the Company for a period commencing from 30 May 2018 to the date of the 2020 AGM.

The remuneration of our existing executive Directors are as follows:

(i) Ms. Ren Wen's emolument was adjusted to RMB68,800 per month since 1 April 2019;

(ii) Mr. Sheng Jie's emolument was RMB128,000 per month since the date of his appointment (i.e. 2 January 2019) and was adjusted to RMB68,800 per month since 1 April 2019;

(iii) Mr. Song Hongfei's emolument was adjusted to RMB68,800 per month since 1 April 2019; and

(iv) Ms. Hao Bin's emolument was adjusted to RMB48,800 per month since 1 March 2019, and was adjusted to RMB44,800 per month since 1 May 2019.

Independent Non-executive Directors

Each of the existing independent non-executive Directors has entered into an appointment contract with the Company. Each of 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 which was renewed for another term of three years commencing from 14 June 2019; whilst Mr. Chen Zhijian 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 2019 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' Interest in Transactions, Arrangements or Contracts of Significance

Save as disclosed in the subsection headed "Connected Transactions and Structured Contracts" below and Note 46 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 2019.

Directors' Interest 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 2019.

DISCLOSURE OF INTERESTS

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

As at 31 December 2019, the interests and short positions of the Directors or chief executives 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 SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, 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 corporations[2]	98,751,000	6.20%
Mr. Song Hongfei	Beneficial owner	4,515,000[3]	0.28%
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 was 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. Out of the 98,751,000 Shares, 75,961,000 Shares were held by Lucky Go Co., Ltd. and 22,790,000 Shares were held by Top Car Co., Ltd. Ms. Ren Wen held approximately 78.88% equity interest in Lucky Go Co., Ltd. and 43.69% equity interest in Top Car Co., Ltd., respectively, and hence was deemed or taken to be interested in all the Shares held by Lucky Go Co., Ltd. and Top Car Co., Ltd. for the purpose of the SFO.

3. Among the 4,515,000 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 the associated corporations

Name of Director	Name of associated corporation	Approximate percentage of shareholding interest
Ms. Ren Wen	Beijing Wisdom Media Holding Co., Ltd.[1] (北京智美傳媒股份有限公司) ("**Beijing Wisdom Media**")	52.38%
	First AI Sports[2]	100%
	Beijing Xinglian Lihe Technology Co., Ltd.*[3] (北京興聯力合科技有限公司) ("**Xinglian Lihe**")	51.02%
Mr. Sheng Jie[4]	Beijing Wisdom Media[1]	8.46%

Notes:

1. 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.

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

3. A 51.02% owned subsidiary of First AI Sports.

4. Appointed to be an executive Director with effect from 2 January 2019.

* For identification purpose only

Save as disclosed above, as at 31 December 2019, 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 would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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 2019, according to the register of interest kept by the Company under 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:

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%

Notes:

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 was 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.

Save as disclosed above, as at 31 December 2019, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO 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 (the "**Option(s)**") 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 any 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 of the Company 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 10.04% of the total number of issued Shares as at the date of this annual report (assuming no Shares were issued and/or repurchased after 30 March 2020, being the latest practicable date for ascertaining certain information in this annual report (the "**Latest Practicable Date**")). As at the date of this annual report, the number of Shares available for issue under the Share Option Scheme (excluding those Options granted but not exercised) amounted to 159,535,000 Shares, representing approximately 10.02% of the issued Shares.

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 an Option 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 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 Option 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 official closing price of the Shares on the daily quotation sheet of the Stock Exchange on the date of grant; (b) the average official closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share.

Options granted

Options granted on 23 May 2014

The Options to subscribe for a total of 1,210,000 Shares 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.

For the year ended 31 December 2019, no Options granted on 23 May 2014 has been exercised and 165,000 Options have been cancelled/forfeited/lapsed. As at 31 December 2019, Options to subscribe for a total of 215,000 Shares remained outstanding and were exercisable by the respective grantees immediately until 22 May 2024.

Options granted on 29 May 2015

The Options to subscribe for a total of 2,500,000 Shares 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 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 2019 (subject to the satisfaction of the individual performance assessment of the grantees), 62,500 Options became exercisable by the respective grantees and the remaining 562,500 Options were cancelled/lapsed/forfeited during the Reporting Period and/or prior year(s).

For the year ended 31 December 2019, no Option granted on 29 May 2015 has been exercised and 550,000 Options have been cancelled/forfeited/lapsed. As at 31 December 2019, Options to subscribe for a total of 250,000 Shares remained outstanding and were exercisable by the respective grantees immediately until 28 May 2025.

Options granted during the year ended 31 December 2019

No Option was granted by the Company during the year ended 31 December 2019.

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 42 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 2019 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 2019	Granted during the period	Exercised during the period	Cancelled/ Forfeited/Lapsed during the period	Balance as at 31 December 2019	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-	(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	650,000	-Nil-	-Nil-	(550,000)	100,000	HK$7.95	N/A[2]
Total				1,180,000	-Nil-	-Nil-	(715,000)	465,000		

Notes:

1. Such Options shall be exercisable subject to the satisfaction of the individual performance assessment of the respective grantees for the relevant years. For details of the vesting schedule, please refer to the subsection headed "Share Option Scheme – Options granted" above.

2. No Option had been exercised during the year ended 31 December 2019.

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 2019.

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 2019 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 2019.

Save for the structured contracts described in the subsection 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 2019. There were also no contracts of significance for the provision of services to the Company, or any of its subsidiaries, by the controlling Shareholders or any of their subsidiaries.

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, and thus the Group with effective control over Beijing Wisdom Media and, to the extent permitted by the 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 instructed 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 2019, 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 investment holding 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, but was deregistered on 28 August 2019;

(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, but was deregistered on 12 June 2019;

(vi) First AI Sports, 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 program production of large-scale tournaments.

Registered owners of Beijing Wisdom Media

As at 31 December 2019, 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 to 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 of the Company or the board of directors of the Company 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, 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 of 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 the 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 television 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			
	2019		2018	
	(RMB'000)	**% of total of the Group**	(RMB'000)	% of total of the Group
Revenue subject to the Structured Contracts	**54,179**	**34.1%**	35,059	7.7%
Net loss subject to the Structured Contracts	**(630)**	**0.1%**	(3,866)	(7.4%)
Total assets subject to the Structured Contracts	**443,522**	**64.0%**	589,394	45.1%

As a net loss subject to the Structured Contracts of approximately RMB630,000 was recognised for the year ended 31 December 2019, the service fee which Beijing Wisdom Sports is entitled to receive for the year ended 31 December 2019 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 Company 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 Company'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 Company, 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 of directors of the Company 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 on an annual basis by the independent non-executive directors of the Company on the compliance of the Structured Contracts and 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 Wen, 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 transaction 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 Company's shareholders as a whole.

The independent non-executive Directors also confirmed that since the Listing Date and up to 31 December 2019:

(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.

Opinion of the auditor of the Company

RSM Hong Kong, the Company's auditor, was engaged to report on the Group's continuing connected transactions during the year ended 31 December 2019 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 2019, 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 undertaken in the normal course of business are provided under Note 46 to the consolidated financial statements of this annual report, and none of which constitutes a discloseable connected transaction or continuing connected transaction as defined 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 15 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 2019 are set out in the Environmental, Social and Governance Report on pages 31 to 48 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 2019. The consolidated financial statements of the Company for the year ended 31 December 2019 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 will be proposed at the AGM.

AUDIT COMMITTEE

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and with terms of reference in compliance with the code provision C.3 of the CG Code for the purpose of reviewing the financial information and providing supervision on the financial reporting system and the review of the risk management and internal control systems as well as the effectiveness of the internal audit function of the Group.

As at the date of this annual report, the Audit Committee comprises three members, namely Mr. Chen Zhijian (the chairman), Mr. Jin Guoqiang and Mr. Ip Kwok On Sammy, all being independent non-executive Directors.

The Audit Committee communicated with the external auditor of the Company to discuss the review process and accounting issues of the Company. The Audit Committee, together with the management of the Company, has reviewed the audited consolidated financial results of the Group for the year ended 31 December 2019 and considers that the results are in compliance with generally accepted accounting principles as well as the applicable laws and regulations.

TAX RELIEF AND PROFESSIONAL TAX ADVICE RECOMMENDED

The Directors are not aware of any tax relief and exemption available to Shareholders by reason of their holding of the Company's securities. 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, it is advised to consult an expert.

CLOSURE OF REGISTER OF MEMBERS

The AGM of the Company is expected to be held on Tuesday, 30 June 2020. 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 Wednesday, 24 June 2020 to Tuesday, 30 June 2020, both days inclusive. To be eligible to attend and vote at the AGM, all completed transfer document(s) together with the relevant share certificate(s) must be lodged with the Company's Hong Kong share registrar, 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 Tuesday, 23 June 2020 for registration.

On behalf of the Board

Ren Wen
Chairlady and Executive Director
Hong Kong, 30 March 2020

Directors, Senior Management and Employees

BIOGRAPHIES

Biographies of each member of the Board and senior management are set out below:

Executive Directors

Ms. Ren Wen (任文女士), also known as Ms. Ren Guozun (任國尊女士), aged 44, 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 Divisions 2 and 3 of Part XV of the SFO.

Mr. Sheng Jie (盛杰先生), aged 44, 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 and an authorised representative of the Company on 30 December 2019. Mr. Sheng has over 17 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, a diploma in business management from the University of International Business and Economics in July 2009 and a master's degree in Business Administration from Peking University on 3 January 2020.

Mr. Song Hongfei (宋鴻飛先生), aged 49, 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), 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 39, 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 on 7 November 2016 and has been qualified to act as the company secretary of the Company since 6 November 2019. Ms. Hao has been acting as the sole company secretary of the Company since 30 December 2019. Ms. Hao was appointed as an executive Director and an authorised representative of the Company on 1 June 2017. Ms. Hao has also been the general manager of the internal control department 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 44, 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 17 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 57, 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 74, 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, president and executive Director. For Ms. Ren's biography, please refer to the subsection headed "Executive Directors" above.

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

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

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

Company Secretary

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

EMPLOYEES

As at 31 December 2019, the Group had 69 employees in total.

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 2019 amounted to RMB45.3 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 the 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 2019, 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 of this annual report.

Independent Auditor's Report

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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 85 to 177, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 judgement, 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, property, plant and equipment, and right-of-use assets	**Our procedures included:**
As at 31 December 2019, included in the Group's consolidated statement of financial position were, before testing for impairment, goodwill of RMB191,584,000, intangible assets of RMB5,514,000 (after write-off of an operating right to a "Running in China" marathon event with a net carrying amount of RMB84,552,000 during the six months ended 30 June 2019), property, plant and equipment of RMB8,977,000, and right-of-use assets of RMB8,494,000 which were attributable to cash-generating units ("**CGUs**") engaging in events operation and marketing, and sports services. Having concluded that the Group will no longer have the right to be the exclusive co-operator of the "Running in China" marathon events in the future, management performed an interim impairment assessment of its goodwill and the associated intangible assets, property, plant and equipment, and right-of-use assets as at 30 June 2019. Management compared the carrying values of the CGUs to which the goodwill, intangible assets, property, plant and equipment, and right-of-use assets have been allocated against discounted cash flow forecasts prepared to determine the value in use of each CGU and a full impairment of RMB51,739,000 was recognised on goodwill of the Events Operation and Marketing CGU, and a partial impairment of RMB104,884,000 was recognised on goodwill of the Sports Services CGU for the six months ended 30 June 2019. Management also performed an annual impairment assessment of its goodwill and the associated intangible assets, property, plant and equipment, and right-of-use assets as at 31 December 2019. An additional impairment of RMB34,961,000 was recognised to fully impair the remaining portion of the goodwill of the Sports Services CGU for the year ended 31 December 2019 after comparing the carrying value of this CGU to which the goodwill, intangible assets, property, plant and equipment, and right-of-use assets have been allocated against discounted cash flow forecasts prepared to determine its value in use.	– Assessing the external valuer's qualifications, experience and expertise and considering their objectivity and independence; – 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

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of goodwill, intangible assets, property, plant and equipment, and right-of-use assets (continued)	**Our procedures included (continued):**
Details of the impairment of goodwill on these CGUs are disclosed in note 24 to the consolidated financial statements. 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, property, plant and equipment, and right-of-use assets 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.	– 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)(iv) 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)(iv) 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) assessing 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 other receivables We identified the impairment of other receivables 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 other receivables are included in notes 6(b)(iv), 7(c), 33(a) and 33(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 other receivables 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 2019 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 judgement 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
30 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Revenue	9	**158,967**	455,363
Cost of services		**(186,728)**	(329,539)
Gross (loss)/profit		**(27,761)**	125,824
Other income	10	**17,740**	87,997
Other losses	11	**(397,931)**	(8,417)
Selling and distribution expenses		**(22,513)**	(13,562)
General and administrative expenses		**(67,953)**	(56,847)
(Loss)/profit from operations		**(498,418)**	134,995
Finance costs	12	**(56)**	–
Share of results of associates		**(1,411)**	(15,630)
(Loss)/profit before tax		**(499,885)**	119,365
Income tax credit/(expense)	14	**15,289**	(67,371)
(Loss)/profit for the year	15	**(484,596)**	51,994
Attributable to:			
Owners of the Company		**(455,122)**	46,372
Non-controlling interests		**(29,474)**	5,622
		(484,596)	51,994

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Financial assets at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		**11,736**	(29,076)
Other comprehensive income for the year, net of tax		**11,736**	(29,076)
Total comprehensive income for the year		**(472,860)**	22,918
Attributable to:			
Owners of the Company		**(443,386)**	17,296
Non-controlling interests		**(29,474)**	5,622
		(472,860)	22,918
(Loss)/earnings per share attributable to owners of the Company	20		
Basic and diluted		**RMB(0.29)**	RMB0.03

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

Consolidated Statement of Financial Position

At 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	21	**8,977**	25,695
Right-of-use assets	23	**8,494**	–
Investment properties	22	**15,692**	16,952
Goodwill	24	**–**	191,584
Intangible assets	25	**4,688**	98,532
Financial assets at fair value through other comprehensive income	27	**92,176**	29,510
Other receivables	33	**59,629**	–
Investments in associates	28	**12,333**	19,820
Deferred tax assets	40	**9,328**	5,116
Other non-current assets	29	**78,844**	15,365
Total non-current assets		**290,161**	402,574
Current assets			
Inventories	30	**2,414**	4,124
Financial assets at fair value through profit or loss	31	**13,229**	60,344
Trade and bills receivables	32	**54,964**	147,781
Other receivables	33	**129,441**	223,715
Prepayments and other current assets	34	**35,105**	51,526
Cash and cash equivalents	35	**167,317**	417,355
Total current assets		**402,470**	904,845
TOTAL ASSETS		**692,631**	1,307,419
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	36	**2,454**	2,454
Reserves	38	**589,828**	1,131,928
		592,282	1,134,382
Non-controlling interests		**7,110**	36,584
TOTAL EQUITY		**599,392**	1,170,966

Consolidated Statement of Financial Position

At 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	39	**2,871**	–
Deferred tax liability	40	**–**	23,535
Total non-current liabilities		**2,871**	23,535
Current liabilities			
Trade payables	41	**44,092**	67,454
Other payables and accrued expenses		**19,695**	15,939
Contract liabilities		**75**	2,650
Lease liabilities	39	**5,432**	–
Income tax payables		**21,074**	26,875
Total current liabilities		**90,368**	112,918
TOTAL LIABILITIES		**93,239**	136,453
TOTAL EQUITY AND LIABILITIES		**692,631**	1,307,419
NET CURRENT ASSETS		**312,102**	791,927

Note: The Group has initially applied HKFRS 16 at 1 January 2019 under the modified retrospective approach with no restatement on the comparative information in the consolidated statement of financial position. Details of changes in accounting policies are disclosed in note 3 to the consolidated financial statements.

Approved by the Board of Directors on 30 March 2020 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 2019

	Attributable to owners of the Company									
	Share capital RMB'000 *(note 36)*	Share premium RMB'000 *(note 38 (b)(i))*	Share-based payments reserve RMB'000 *(note 38 (b)(ii))*	Statutory reserve RMB'000 *(note 38 (b)(iii))*	Other reserve RMB'000 *(note 38 (b)(iv))*	Fair value reserve (non-recycling) RMB'000 *(note 38 (b)(v))*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000 *(note 26)*	Total equity RMB'000
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 43(a))*	–	–	–	–	–	–	–	–	24,385	24,385
Acquisition of a subsidiary *(note 43(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
At 1 January 2019	**2,454**	**153,007**	**5,694**	**89,526**	**81,902**	**(30,490)**	**832,289**	**1,134,382**	**36,584**	**1,170,966**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**11,736**	**(455,122)**	**(443,386)**	**(29,474)**	**(472,860)**
Payment of 2018 final dividend *(note 19)*	**–**	**(98,762)**	**–**	**–**	**–**	**–**	**–**	**(98,762)**	**–**	**(98,762)**
Statutory reserve appropriation	**–**	**–**	**–**	**46,130**	**–**	**–**	**(46,130)**	**–**	**–**	**–**
Reversal of statutory reserve appropriation upon deregistration of subsidiaries	**–**	**–**	**–**	**(3,185)**	**–**	**–**	**3,185**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**48**	**–**	**–**	**–**	**–**	**48**	**–**	**48**
Lapse of share options	**–**	**–**	**(4,831)**	**–**	**–**	**–**	**4,831**	**–**	**–**	**–**
Changes in equity for the year	**–**	**(98,762)**	**(4,783)**	**42,945**	**–**	**11,736**	**(493,236)**	**(542,100)**	**(29,474)**	**(571,574)**
At 31 December 2019	**2,454**	**54,245**	**911**	**132,471**	**81,902**	**(18,754)**	**339,053**	**592,282**	**7,110**	**599,392**

Note: The Group has initially applied HKFRS 16 at 1 January 2019 under the modified retrospective approach with no restatement on the comparative information in the consolidated statement of changes in equity. Details of changes in accounting policies are disclosed in note 3 to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(499,885)**	119,365
Adjustments for:			
Amortisation of intangible assets	25	**12,932**	13,554
Depreciation of investment properties	22	**1,260**	1,260
Depreciation of property, plant and equipment	21	**4,822**	4,408
Depreciation of right-of-use assets	23	**7,661**	–
Finance costs	12	**56**	–
Loss on disposal of intangible assets	11	**–**	1,927
(Gain)/loss on disposals of property, plant and equipment	11	**(2,427)**	775
Gain on disposal of a right-of-use asset	11	**(393)**	–
Allowance for impairment of trade and bills receivables	11	**23,454**	11,705
Allowance for impairment of other receivables	11	**34,360**	4,107
Write-off of a trade receivable	11	**2,620**	–
Write-off of a prepayment	11	**8,000**	–
Fair value loss/(gain) on financial assets at fair value through profit or loss	11	**3,922**	(17,258)
Loss on disposals of financial assets at fair value through profit or loss	11	**46,181**	–
Impairment of intangible assets	11	**826**	–
Write-off of an operating right included in intangible assets	11	**84,552**	–
Impairment of goodwill	24	**191,584**	105
Impairment of investments in associates	28	**3,076**	3,767
Interest income from treasury products	10	**(7,234)**	(12,204)
Interest income from loans to companies	10	**(5,019)**	(4,025)
Interest income from fund investments in a partnership	10	**(4,000)**	(5,767)
Interest income from short-term bank deposits	10	**(447)**	(3,702)
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		**1,411**	15,630
Share-based payments expenses	42	**48**	207
Exchange gains	11	**(1,329)**	(796)
Operating (loss)/profit before working capital changes		**(93,969)**	79,422

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Decrease/(increase) in inventories		**1,710**	(3,842)
Decrease in trade and bills receivables		**67,163**	26,995
Decrease in prepayments and other current assets		**4,675**	75,907
Decrease in other receivables		**4,813**	49,934
Decrease in trade payables		**(23,362)**	(19,283)
Increase/(decrease) in other payables and accrued expenses		**3,756**	(32,435)
Decrease in contract liabilities		**(2,575)**	(4,567)
Cash (used in)/generated from operations		**(37,789)**	172,131
Income tax paid		**(18,259)**	(75,167)
Net cash (used in)/generated from operating activities		**(56,048)**	96,964

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary	43(b)	**–**	(168,599)
Acquisition of a subsidiary through step acquisition of an associate	43(a)	**–**	3,353
(Increase)/decrease in amounts due from related companies		**(2,000)**	3,525
Interest income from treasury products		**7,234**	18,812
Interest income from loans to companies		**3,636**	4,078
Interest income from fund investments in a partnership		**1,500**	4,433
Interest income from short-term bank deposits		**447**	4,294
Increase in security trading account's balances		**(12,436)**	(886)
Purchases of financial assets at fair value through profit or loss		**–**	(43,086)
Purchases of intangible assets		**(252)**	–
Purchases of property, plant and equipment		**(1,505)**	(1,310)
Purchase of treasury products		**(974,500)**	(1,287,000)
Purchases for unlisted equity securities under financial assets at fair value through other comprehensive income		**(50,930)**	–
Proceed from disposal of a subsidiary in 2017		**–**	40,600
Proceeds from disposal of property, plant and equipment		**15,828**	654
Partial receipt of investment cost from an associate under registered share capital reduction	28(c)	**1,000**	–
Proceeds from disposal of treasury products		**974,500**	1,542,000
Earnest money paid for a potential equity investment		**(13,000)**	–
Prepayment for intangible assets		**–**	(560)
Prepayments for property, plant and equipment		**(51,459)**	(14,385)
Payment for fund investment in a partnership		**–**	(50,000)
Redemption of fund investment in a partnership		**–**	50,000
Loans to companies		**(3,450)**	(43,730)
Repayments received for loans to companies		**17,000**	31,730
Net cash (used in)/generated from investing activities		**(88,387)**	93,923

For the year ended 31 December 2019

	Note	**2019** **RMB'000**	2018 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of 2017 final dividend	19	**–**	(98,762)
Payment of 2018 final dividend	19	**(98,762)**	–
Payment of lease liabilities		**(7,425)**	–
Net cash used in financing activities		**(106,187)**	(98,762)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(250,622)**	92,125
Effect of foreign exchange rate changes		**584**	796
CASH AND CASH EQUIVALENTS AT 1 JANUARY	35	**417,355**	324,434
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	35	**167,317**	417,355

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 7/F, Block 1, No.16, Xinyuanli, 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 26 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. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued HKFRS 16 Leases and a number of amendments to HKFRSs that are first effective 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

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

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

HKFRS 16 *Leases*

HKFRS 16 supersedes HKAS 17 *Leases*, and the related interpretations, HK(IFRIC) 4 *Determining whether an arrangement contains a lease*, HK(SIC) 15 *Operating leases – incentives* and HK(SIC) 27 *Evaluating the substance of transactions involving the legal form of a lease*. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise right-of-use assets and lease liabilities for all leases, except for leases that have lease terms of 12 months or less ("**short-term leases**") and leases of low-value assets.

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

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

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

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

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

3. CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 16 *Leases* (continued)

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant entities of the Group at the date of initial application. The weighted average incremental borrowing rate applied is 6.37%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease terms end within 12 months from the date of initial application of HKFRS 16, i.e. where the lease terms end on or before 31 December 2019;

(ii) applied a single discount rate to a portfolio of leases with a similar remaining term for a similar class of underlying assets in a similar economic environment. Specifically, discount rate for certain leases of properties was determined on a portfolio basis;

(iii) used hindsight based on facts and circumstances as at the date of initial application in determining the lease terms for the Group's leases with extension options;

(iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative to an impairment review.

3. CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 16 *Leases* (continued)

(b) Lessee accounting and transitional impact (continued)

The following table reconciles the operating lease commitments as disclosed in note 42(a) to the consolidated financial statements as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

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

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised in the consolidated statement of financial position as at 31 December 2018.

3. CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 16 *Leases* (continued)

(b) Lessee accounting and transitional impact (continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

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

(c) Impact of the financial results and cash flows of the Group

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases under HKAS 17, the Group recognised right-of-use assets of RMB8,494,000 and lease liabilities of RMB8,303,000 as at 31 December 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation and finance costs, instead of operating lease charges. During the year ended 31 December 2019, the Group recognised depreciation charges of RMB7,661,000 and finance costs of RMB56,000 from these leases.

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

The Group has not early applied amendments that have been issued but are not yet effective for the financial year beginning 1 January 2019. These amendments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 *Definition of a Business*	1 January 2020
Amendments to HKAS 1 and HKAS 8 *Definition of Material*	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

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.

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).

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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.

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.

(d) 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.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation (continued)

(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.

(e) 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%

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.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investment properties

Investment properties are buildings which are owned to earn rental income 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.

Rental income from investment properties is accounted for as described in note 5(r) to the consolidated financial statements.

(g) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) The Group as a lessee

Policy applicable from 1 January 2019

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under HKFRS 9 *Financial instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The Group presents right-of-use assets and lease liabilities separately in the consolidated statement of financial position.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Leases (continued)

(i) The Group as a lessee (continued)

Policy prior to 1 January 2019

In the comparative period, leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term.

(ii) The Group as a lessor

When the Group acts as a lessor, a lease is classified as an operating lease if it does not transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee.

(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) 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.

(j) 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 expected credit losses ("**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.

(k) 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 fair value through profit or loss) 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 fair value through profit or loss are recognised immediately in profit or loss.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

(l) 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;

– fair value through other comprehensive income – 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

– fair value through profit or loss, if the investment does not meet the criteria for being measured at amortised cost or fair value through other comprehensive income (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial assets (continued)

Equity investments

An investment in equity securities is classified as fair value through profit or loss 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 fair value through other comprehensive income (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 fair value through profit or loss or fair value through other comprehensive income, are recognised in profit or loss as other income.

(m) 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.

(n) Cash and cash equivalents

Cash and cash equivalents comprises cash at bank and on hand, demand deposits with banks, 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.

(o) 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.

(p) 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.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) 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.

(r) Revenue and other income

Revenue is recognised when control over a product or 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 sports-related competitions, including mainly corporate sponsorship income. 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 sports-related competitions, including mainly events organisation income, live broadcasting and program production income, individual consumption income, and timing services income. The Group recognised revenue upon the completion of the events with all services provided.

(iii) Advertising Program and Branding

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

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Revenue and other income (continued)

(iii) Advertising Program and Branding (continued)

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.

Rental income under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

(s) 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.

(t) 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.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) 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.

(v) 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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Taxation (continued)

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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group firstly determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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.

(w) 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.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) 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 for balances categorised under "**Stage 2**" since initial recognition. However, if the credit risk on other receivables has not increased significantly since initial recognition, the Group categorises these balances under "**Stage 1**" and 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.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument 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.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Impairment of financial assets (continued)

Significant increase in credit risk (continued)

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

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk for a particular financial instrument;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– significant increases in credit risk on other financial instruments of the same debtor; or

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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)

(x) 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 and categorised under "**Stage 3**" when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred and the Group recognises lifetime ECL accordingly. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– significant financial difficulties of the issuer or the counterparty;

– a breach of contract, such as a default or past due event;

– the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) 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.

(y) 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.

(z) 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(r)(iii)). These indicators are subjective in nature and require judgement from management.

(ii) Structured contracts

On 24 June 2013, Beijing Wisdom Sports Industry Co., Ltd. ("**Beijing Wisdom Sports**"), a wholly-owned subsidiary of the Company, 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 Media 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 fair value through other comprehensive income 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.

(iv) Assessment of significant increase in credit risk and credit impairment of financial assets

As mentioned in note 5(x) to the consolidated financial statements, ECL is measured as an allowance for impairment equal to 12-month ECL for Stage 1 financial assets, or lifetime ECL for Stage 2 or Stage 3 financial assets. A financial asset is moved to Stage 2 when its credit risk has increased significantly since initial recognition but is not assessed to be credit-impaired. A financial asset is then moved to Stage 3 when it is credit-impaired. In assessing whether the credit risk of a financial asset has significantly increased or whether a financial asset is credit-impaired, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

6. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

(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) 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, RMB15,289,000 of income tax credit was recognised to profit or loss based on mainly the net effect of derecognition of deferred tax liability, and withholding tax recognised (2018: income tax expense of RMB67,371,000 was recognised to profit or loss based on the estimated profit).

(ii) Impairment of intangible assets, property, plant and equipment, and right-of-use assets

Intangible assets, property, plant and equipment, and right-of-use assets are stated at costs less accumulated amortisation and depreciation, and any impairment. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether any events have occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates could materially affect the recoverable amount used in the impairment test.

The carrying amount of intangible assets, property, plant and equipment, and right-of-use assets as at 31 December 2019 were RMB4,688,000 (2018: RMB98,532,000), RMB8,977,000 (2018: RMB25,695,000) and RMB8,494,000 (2018: RMB Nil) respectively.

6. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

(b) Key sources of estimation uncertainty (continued)

(iii) 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 RMB Nil (2018: RMB191,584,000) with impairment loss of RMB191,584,000 (2018: RMB105,000) recognised during the year.

(iv) Impairment of trade and bills receivables, and other receivables

The management of the Group estimates the amount of impairment loss for ECL on trade and bills receivables, and other receivables based on the credit risk of trade and bills receivables, and other receivables. The amount of the impairment loss of trade and bills receivables, and other receivables 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 2019, the carrying amount of trade and bills receivables and other receivables is RMB244,034,000 (net of allowance for impairment of RMB88,288,000) (2018: RMB371,496,000 (net of allowance for impairment of RMB37,746,000)).

(v) Fair value of financial assets at fair value through other comprehensive income

In the absence of quoted market prices in an active market, the fair values of the Group's unlisted equity securities of the financial assets at fair value through other comprehensive income are estimated by the Group's Deputy Head of Finance Department, assisted by an independent qualified professional valuer, Avista Business Consulting (Beijing) Co., Ltd. ("**Avista Group**"), by considering information from a variety of sources, details of which are set out in note 8(b) to the consolidated financial statements.

The carrying amount of the unlisted equity securities of the financial assets at fair value through other comprehensive income as at 31 December 2019 was RMB87,158,000 (2018: RMB19,519,000).

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 of financial assets at fair value through profit or loss. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles.

For sensitivity analysis, if equity prices had been 10% higher/lower (2018: 10%), loss after tax and total comprehensive income for the year ended 31 December 2019 would decrease/increase by RMB1,323,000 (2018: profit after tax and total comprehensive income for the year ended 31 December 2018 would increase/decrease by RMB6,034,000).

(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. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

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.

7. FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk (continued)

Trade and bills receivables (continued)

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 2019:

	2019		
	Expected loss rate %	Gross carrying amount RMB'000	Allowance for impairment of trade and bills receivable RMB'000
Within 1 month	6.87%	25,416	1,745
1 to 3 months	6.87%	20,079	1,379
4 to 6 months	6.87%	2,373	163
7 to 12 months	31.18%	4,271	1,332
1 to 2 years	71.67%	26,279	18,835
Over 2 years	100.00%	25,704	25,704
		104,122	49,158

	2018		
	Expected loss rate %	Gross carrying amount RMB'000	Allowance for impairment of trade and bills receivable RMB'000
Within 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

7. FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk (continued)

Trade and bills receivables (continued)

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.

Movements in the allowance for impairment of trade and bills receivables during the year are as follows:

	2019 RMB'000	2018 RMB'000
At 1 January	**32,976**	21,307
Allowance for impairment recognised for the year	**23,454**	11,705
Write-off for the year	**(7,272)**	(36)
At 31 December	**49,158**	32,976

Other receivables

The allowance for impairment of other receivables was provided using the "**three-stage**" approach by referring to changes in credit quality since the initial recognition of other receivables as mentioned in note 5(x) to the consolidated financial statements.

Movements in the allowance for impairment of other receivables during the year are as follows:

		2019	
	Stage 1 RMB'000	Stage 3 RMB'000	Total RMB'000
At 1 January	**4,770**	**–**	**4,770**
(Reversal of allowance for)/allowance for impairment recognised for the year	**(2,092)**	**36,452**	**34,360**
Transfer from Stage 1 to Stage 3	**(1,531)**	**1,531**	**–**
At 31 December	**1,147**	**37,983**	**39,130**

7. FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk (continued)

Other receivables (continued)

	2018	
	Stage 1 RMB'000	Total RMB'000
At 1 January	5,050	5,050
Allowance for impairment recognised for the year	4,107	4,107
Write-off for the year	(4,387)	(4,387)
At 31 December	4,770	4,770

Details of the allowance for impairment of an other receivable balance categorised under "**Stage 3**" is disclosed in note 33(a) to the consolidated financial statements. Except for this, the remaining other receivables balances are considered to have low credit risk, and the allowance for impairment recognised during the year was therefore limited to 12-month expected losses. The Group's management considers these balances 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.

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:

	Contractual undiscounted cash flows			
	Within 1 year or on demand RMB'000	Between 1 and 2 years RMB'000	Total RMB'000	Carrying amount RMB'000
At 31 December 2019				
Trade payables	**44,092**	**–**	**44,092**	**44,092**
Other payables and accrued expenses	**5,080**	**–**	**5,080**	**5,080**
Lease liabilities	**5,876**	**2,965**	**8,841**	**8,303**
	55,048	**2,965**	**58,013**	**57,475**
At 31 December 2018				
Trade payables	67,454	–	67,454	67,454
Other payables and accrued expenses	10,337	–	10,337	10,337
	77,791	–	77,791	77,791

7. FINANCIAL RISK MANAGEMENT (continued)

(e) Categories of financial instruments at 31 December

	2019 RMB'000	2018 RMB'000
Financial assets:		
Financial assets at fair value through other comprehensive income	**92,176**	29,510
Financial assets at fair value through profit or loss	**13,229**	60,344
Financial assets measured at amortised cost	**411,351**	788,851
Financial liabilities:		
Financial liabilities measured at amortised cost	**72,090**	83,393

(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 2019 and 2018, 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.

8. FAIR VALUE MEASUREMENTS (continued)

The following table shows the carrying amounts and fair value of financial assets, including their levels in the fair value hierarchy. It does not include fair value information for financial assets not measured at fair value if the carrying amount is a reasonable approximation of fair value. Further, for the current period the fair value disclosure of lease liabilities is also not required.

(a) Disclosures of level in fair value hierarchy

Description	Fair value measurements as at 31 December 2019 Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	31 December 2019 Total RMB'000
Recurring fair value measurements:				
Financial assets				
Financial assets at fair value through other comprehensive income				
– Listed equity security *(note 27)*	–	5,018	–	5,018
– Unlisted equity securities *(note 27)*	–	–	87,158	87,158
Financial assets at fair value through profit or loss				
– Listed equity securities *(note 31)*	13,229	–	–	13,229
Total	13,229	5,018	87,158	105,405

8. FAIR VALUE MEASUREMENTS (continued)

(a) Disclosures of level in fair value hierarchy (continued)

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				
Financial assets at fair value through other comprehensive income				
– Listed equity security *(note 27)*	–	9,991	–	9,991
– Unlisted equity securities *(note 27)*	–	–	19,519	19,519
Financial assets at fair value through profit or loss				
– Listed equity securities *(note 31)*	60,344	–	–	60,344
Total	60,344	9,991	19,519	89,854

(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2019:

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 Deputy Head of Financial Department and the Board of Directors regularly.

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value 31 December 2019 RMB'000	31 December 2018 RMB'000
Financial assets at fair value through other comprehensive income – Listed equity security	Market approach	Share transaction	**5,018**	9,991

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 2019: (continued)

For level 3 fair value measurements, the following valuation techniques were applied:

– Adjusted net asset value provided by the administrator of an unlisted limited partnership.

– Price-to-sales ratio of market comparable companies under market approach of an underlying investment held by an unlisted limited partnership.

– Volatility of market comparable companies under market approach.

Level 3 fair value measurements

Description	Valuation techniques	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value as at 31 December 2019 RMB'000
Financial assets at fair value through other comprehensive income – unlisted equity security	Adjusted net asset value	N/A	N/A	N/A	66,143
Financial assets at fair value through other comprehensive income – unlisted equity security	Market approach	Price-to-sales ratio of market comparable companies	4.7	Increase	20,166
Financial assets at fair value through other comprehensive income – unlisted equity security	Market approach	Volatility of market comparable companies	52.68%	Increase	849

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 2019: (continued)

Level 3 fair value measurements (continued)

Description	Valuation techniques	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value as at 31 December 2018 RMB'000
Financial assets at fair value through other comprehensive income – unlisted equity security	Market approach	Price-to-sales ratio of market comparable companies	4.2	Increase	19,519

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

	2019 RMB'000	2018 RMB'000
Financial assets at fair value through other comprehensive income – unlisted equity securities		
At 1 January	**19,519**	39,476
Additions for the year	**50,930**	–
Net unrealised gains/(losses) recognised in other comprehensive income for the year	**16,709**	(19,957)
At 31 December	**87,158**	19,519

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. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained profits.

9. REVENUE

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

	2019 RMB'000	2018 RMB'000
Events operation and marketing income	**74,171**	179,408
Sports services income	**84,796**	191,666
Advertising program and branding income	**–**	84,289
	158,967	455,363

	2019 RMB'000	2018 RMB'000
Timing of revenue recognition		
– At a point in time	**158,967**	413,550
– Over time	**–**	41,813
	158,967	455,363

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 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

	2019 RMB'000	2018 RMB'000
Interest income from treasury products *(note (a))*	**7,234**	12,204
Interest income from loans to companies	**5,019**	4,025
Interest income from fund investments in a partnership	**4,000**	5,767
Interest income from short-term bank deposits	**447**	3,702
Government grants *(note (b))*	**35**	5,334
Rental income	**586**	468
Share compensation from investment in an associate *(note 43(a))*	**–**	56,288
Others	**419**	209
	17,740	87,997

Notes:

(a) The Group invested in unlisted treasury products issued by commercial banks in the PRC. The investments are denominated in RMB and with maturity periods within three months. The rates of return range from 2.7% to 6.1% per annum.

(b) The Group benefits from government grants in the form of tax refund from a governmental body of Fuzhou, Jiangxi Province for the years ended 31 December 2019 and 2018 as a result of their contribution for developing the cultural and media industry in the city.

11. OTHER LOSSES

	2019 RMB'000	2018 RMB'000
Allowance for impairment of trade and bills receivables *(note 7(c))*	**(23,454)**	(11,705)
Allowance for impairment of other receivables *(note 7(c))*	**(34,360)**	(4,107)
Exchange gains	**1,329**	796
Fair value (loss)/gain on financial assets at fair value through profit or loss	**(3,922)**	17,258
Loss on disposals of financial assets at fair value through profit or loss	**(46,181)**	–
Impairment of intangible assets *(note 25)*	**(826)**	–
Impairment of investments in associates *(note 28)*	**(3,076)**	(3,767)
Impairment of goodwill *(note 24)*	**(191,584)**	(105)
Loss on disposal of intangible assets	**–**	(1,927)
Gain/(loss) on disposals of property, plant and equipment	**2,427**	(775)
Gain on disposal of a right-of-use asset	**393**	–
Remeasurement of pre-existing interest in an associate for step acquisition *(note 43(a))*	**–**	(3,072)
Write-off of an operating right included in intangible assets *(note 25)*	**(84,552)**	–
Write-off of a trade receivable	**(2,620)**	–
Write-off of a prepayment	**(8,000)**	–
Others	**(3,505)**	(1,013)
	(397,931)	(8,417)

12. FINANCE COSTS

	2019 RMB'000
Interest expenses on lease liabilities	56

13. 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 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 mainly corporate sponsorship income.
Sports Services	Providing services mainly to government, marathon runners and media companies in conjunction with sports-related competitions. Types of revenue include mainly events organisation income, live broadcasting and program production income, individual consumption income, and timing services income.
Advertising Program and Branding	Provision of advertising services. Type of revenue includes advertising income.

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

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 (loss)/profit of each segment without allocation of selling and distribution expenses, general and administrative expenses, finance costs, other income, other losses, share of results of associates and income tax credit/(expense). This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

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

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

13. SEGMENT INFORMATION (continued)

The segment information provided to the CODM for the reportable segments for the years ended 31 December 2019 and 2018 is as follows:

Year ended 31 December 2019

	Events Operation and Marketing RMB'000	Sports Services RMB'000	Advertising Program and Branding RMB'000	Total RMB'000
Revenue	74,171	84,796	–	158,967
Cost of services	(123,102)	(63,626)	–	(186,728)
Segment results	(48,931)	21,170	–	(27,761)
Other income				17,740
Other losses				(397,931)
Selling and distribution expenses				(22,513)
General and administrative expenses				(67,953)
Finance costs				(56)
Share of results of associates				(1,411)
Income tax credit				15,289
Loss for the year				(484,596)

13. SEGMENT INFORMATION (continued)

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				51,994

Revenue from major customer(s):

Revenue from customer contributing over 10% of the total revenue of the Group is as follows:

	2019 RMB'000	2018 RMB'000
Customer A	**–**	54,717
Customer B	**14,009**	46,255

None of the customers contributed over 10% of the total revenue of the Group for the year ended 31 December 2019 only. 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.

14. INCOME TAX CREDIT/(EXPENSE)

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

	2019 RMB'000	2018 RMB'000
Current tax		
Provision for the year – the PRC	**(12,599)**	(68,159)
Over-/(under-) provision in prior years	**141**	(4,744)
	(12,458)	(72,903)
Deferred tax *(note 40)*	**27,747**	5,532
	15,289	(67,371)

No provision for Hong Kong Profits Tax was required since the Group had no assessable profits for the years ended 31 December 2019 and 2018.

PRC Corporate Income Tax has been provided at a rate of 25% (2018: 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 credit/(expense) and the product of (loss)/profit before tax multiplied by the respective applicable tax rate is as follows:

	2019 RMB'000	2018 RMB'000
(Loss)/profit before tax	**(499,885)**	119,365
Tax at the respective applicable tax rates	**104,506**	(29,580)
Tax effect of share of results of associates	**(353)**	(3,907)
Tax effect of income that is not taxable	**3,866**	3,258
Tax effect of expenses that is not deductible	**(47,028)**	(5,560)
Net tax effect of temporary differences not recognised	**22,227**	2,228
Tax effect of tax losses not recognised	**(56,070)**	(7,066)
Withholding tax	**(12,000)**	(22,000)
Over-/(under-) provision in prior years	**141**	(4,744)
Income tax credit/(expense)	**15,289**	(67,371)

15. (LOSS)/PROFIT FOR THE YEAR

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

	2019 RMB'000	2018 RMB'000
Amortisation of intangible assets *(note 25)*	**12,932**	13,554
Cost of inventories utilised	**1,984**	–
Depreciation of investment properties *(note 22)*	**1,260**	1,260
Depreciation of property, plant and equipment *(note 21)*	**4,822**	4,408
Depreciation of right-of-use asset *(note 23)*	**7,661**	–
Fair value loss/(gain) on financial assets at fair value through profit or loss *(note 11)*	**3,922**	(17,258)
Loss on disposals of financial assets at fair value through profit or loss *(note 11)*	**46,181**	–
Loss on disposal of intangible assets *(note 11)*	**–**	1,927
(Gain)/loss on disposals of property, plant and equipment *(note 11)*	**(2,427)**	775
Gain on disposal of a right-of-use asset *(note 11)*	**(393)**	–
Share compensation from investment in an associate *(note 43(a))*	**–**	(56,288)
Remeasurement of pre-existing interest in an associate for step acquisition *(note 43(a))*	**–**	3,072
Staff costs *(note 16)*		
– Salaries, bonuses and allowances	**37,981**	22,568
– Retirement benefits scheme contributions	**7,317**	3,574
– Share-based payments	**48**	207
Write-off of an operating right included in intangible assets *(note 25)*	**84,552**	–
Auditor's remuneration	**2,200**	3,727
Allowance for impairment of trade and bills receivables *(note 7(c))*	**23,454**	11,705
Allowance for impairment of other receivables *(note 7(c))*	**34,360**	4,107
Write-off of a trade receivable *(note 11)*	**2,620**	–
Write-off of a prepayment *(note 11)*	**8,000**	–
Impairment of goodwill *(note 24)*	**191,584**	105
Impairment of intangible assets *(note 25)*	**826**	–
Impairment of investments in associates *(note 28)*	**3,076**	3,767

16. EMPLOYEE BENEFITS EXPENSE

	2019 RMB'000	2018 RMB'000
Employee benefits expense:		
Salaries, bonuses and allowances	**37,981**	22,568
Retirement benefit scheme contributions	**7,317**	3,574
Share-based payments *(note 42)*	**48**	207
	45,346	26,349

(a) Five highest paid individuals

The five highest paid individuals in the Group during the year included four Directors with one Director being appointed on 2 January 2019 (2018: three Directors with one Director as at 31 December 2018 resigned on 2 January 2019) whose Directors' emoluments are reflected in the analysis presented in note 17(a). The emoluments of the remaining one individual (2018: two, including emoluments of one individual who was appointed as the Director on 2 January 2019) are set out below:

	2019 RMB'000	2018 RMB'000
Fees	**–**	–
Salaries and allowances	**758**	2,145
Discretionary bonuses	**3,150**	–
Share-based payments	**–**	–
Retirement benefit scheme contributions	**16**	48
	3,924	2,193

The emoluments fell within the following bands:

	Number of individuals 2019	 2018
HK$0 to HK$1,000,000	**–**	1
HK$1,000,001 to HK$2,000,000	**–**	1
HK$4,000,001 to HK$5,000,000	**1**	–
	1	2

16. EMPLOYEE BENEFITS EXPENSE (continued)

(a) Five highest paid individuals (continued)

During the years, no emoluments were paid by the Group to the five highest paid individuals 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.

17. 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	Discretionary bonuses 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	106	1,337	6,000	43	–	7,486
Mr. Sheng Jie *(note (d))*	106	682	1,000	37	–	1,825
Mr. Song Hongfei	106	658	200	43	–	1,007
Ms. Hao Bin	106	484	300	41	9	940
Ms. Zhang Han *(note (c))*	–	–	–	–	–	–
Independent Non-executive Directors						
Mr. Ip Kwok On Sammy	106	–	–	–	–	106
Mr. Jin Guoqiang	106	–	–	–	–	106
Mr. Chen Zhijian *(note (a))*	106	–	–	–	–	106
Total for the year ended 31 December 2019	742	3,161	7,500	164	9	11,576

17. 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	97	2,075	68	–	2,240
Mr. Zhang Han *(note (c))*	97	1,625	68	–	1,790
Mr. Song Hongfei	97	1,462	68	7	1,634
Ms. Hao Bin	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 (a))*	91	–	–	–	91
Mr. Wei Kevin Cheng *(note (b))*	27	–	–	–	27
Total for the year ended 31 December 2018	700	5,669	306	42	6,717

Notes:

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

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

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

(d) Mr. Sheng Jie was appointed as an Executive Director on 2 January 2019.

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 2019 and 2018.

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

Except for transactions with a related company in which Ms. Ren Wen, the Executive Director of the Company, had a material interest mentioned in note 46, 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.

18. 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.

19. DIVIDENDS

	2019 **RMB'000**	2018 RMB'000
2018 final dividend of RMB0.062 (2018: 2017 final dividend of RMB0.062) per share	**98,762**	98,762

The Board of Directors does not recommend the payment of any dividend in respect of the year ended 31 December 2019.

20. (LOSS)/EARNINGS PER SHARE

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

	2019 **RMB'000**	2018 RMB'000
(Loss)/earnings attributable to owners of the Company		
(Loss)/earnings for the purpose of calculating basic and diluted (loss)/earnings per share	**(455,122)**	46,372

	2019 **'000**	2018 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss)/earnings per share	**1,592,942**	1,592,942

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

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 2018	15,483	6,709	15,070	9,606	46,868
Additions for the year	–	114	176	2,542	2,832
Acquisition of a subsidiary *(note 43(b))*	–	–	5,834	1,387	7,221
Acquisition of a subsidiary through step acquisition of an associate *(note 43(a))*	–	–	478	–	478
Disposals for the year	–	(3,809)	(9,853)	(1,036)	(14,698)
At 31 December 2018 and 1 January 2019	**15,483**	**3,014**	**11,705**	**12,499**	**42,701**
Additions for the year	**–**	**76**	**816**	**613**	**1,505**
Disposals for the year	**(15,483)**	**(973)**	**(818)**	**(1,940)**	**(19,214)**
At 31 December 2019	**–**	**2,117**	**11,703**	**11,172**	**24,992**
Accumulated depreciation					
At 1 January 2018	1,257	4,765	13,141	6,835	25,998
Charge for the year	765	1,614	942	1,087	4,408
Disposals for the year	–	(3,807)	(9,323)	(270)	(13,400)
At 31 December 2018 and 1 January 2019	**2,022**	**2,572**	**4,760**	**7,652**	**17,006**
Charge for the year	**491**	**348**	**2,432**	**1,551**	**4,822**
Disposals for the year	**(2,513)**	**(803)**	**(782)**	**(1,715)**	**(5,813)**
At 31 December 2019	**–**	**2,117**	**6,410**	**7,488**	**16,015**
Carrying amount					
At 31 December 2019	**–**	**–**	**5,293**	**3,684**	**8,977**
At 31 December 2018	13,461	442	6,945	4,847	25,695

22. INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
Cost		
At 1 January and 31 December	**28,283**	28,283
Accumulated depreciation		
At 1 January	**11,331**	10,071
Charge for the year	**1,260**	1,260
At 31 December	**12,591**	11,331
Carrying amount		
At 31 December	**15,692**	16,952

As at 31 December 2019, the Group had no un-provided contractual obligations for future repairs and maintenance (2018: Nil).

A 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 2019, amounting to RMB32,000,000 (2018: RMB40,627,000). 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. RIGHT-OF-USE ASSETS

	Office premises RMB'000
At 1 January 2019 *(note 3)*	**20,183**
Additions for the year	**10,732**
Depreciation for the year	**(7,661)**
Disposal for the year	**(14,760)**
At 31 December 2019	**8,494**

Disposal for the year ended 31 December 2019 related to an early termination of a lease for an office premise in the PRC. Details of total cash outflow for leases included in net cash used in financing activities are set out in note 43(c) to the consolidated financial statements.

Lease arrangements of office premises were negotiated on an individual basis and contain a wide range of different terms and conditions including lease terms ranging from 2 to 5 years. In determining the lease terms and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

24. GOODWILL

	2019 RMB'000	2018 RMB'000
Cost		
At 1 January	**191,689**	105
Arising on acquisition of a subsidiary *(note 43(b))*	**–**	139,845
Arising on acquisition of a subsidiary through step acquisition of an associate *(note 43(a))*	**–**	51,739
Derecognition upon deregistration of a subsidiary	**(105)**	–
At 31 December	**191,584**	191,689
Accumulated impairment losses		
At 1 January	**105**	–
Impairment loss recognised for the year	**191,584**	105
Derecognition upon deregistration of a subsidiary	**(105)**	–
At 31 December	**191,584**	105
Carrying amount		
At 31 December	**–**	191,584

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:

	2019 RMB'000	2018 RMB'000
Events Operation and Marketing *(note (a))*	**–**	51,739
Sports Services *(note (b))*	**–**	139,845
	–	191,584

24. GOODWILL (continued)

(a) Events Operation and Marketing

As at 30 June 2019, the recoverable amount of the Events Operation and Marketing CGU is determined based on value in use calculation, which uses a discounted cash flow forecast based on financial budget approved by the Group's management covering a 5-year period (2018: 5-year period). Cash flow beyond the 5-year period (2018: 5-year period) is extrapolated using an estimated weighted average growth rate of 3.0% (2018: 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% (2018: 25.0%). The discount rate used is pre-tax and reflects specific risks relating to this CGU. As a result of the events that led to a write-off of an operating right to "Running in China" marathon events included in intangible assets during the six months ended 30 June 2019, the Group's management reassessed the forecast cash flows of this CGU and determined its recoverable amount to be lower than its carrying amount. Details of the write-off of the operating right are disclosed in note 25 to the consolidated financial statements. A full impairment of RMB51,739,000 was recognised on goodwill for the six months ended 30 June 2019. The recoverable amount of this CGU as at 31 December 2019 is RMB3,438,000.

(b) Sports Services

As at 31 December 2019, the recoverable amount of the Sports Services CGU is determined based on value in use calculation, which uses a discounted cash flow forecast based on financial budget approved by the Group's management covering a 5-year period (2018: 5-year period). Cash flow beyond the 5-year period (2018: 5-year period) is extrapolated using an estimated weighted average growth rate of 3.0% (2018: 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% (2018: 18.0%). The discount rate used is pre-tax and reflects specific risks relating to this CGU. The CGU was severely affected by the events that led to a write-off of an operating right to "Running in China" marathon events included in intangible assets, and the Group's management reassessed the forecast cash flows of this CGU and determined its recoverable amount to be lower than its carrying amount. Details of the write-off of the operating right are disclosed in note 25 to the consolidated financial statements. A full impairment of RMB139,845,000 was then recognised on goodwill for the year ended 31 December 2019, including an impairment of RMB104,884,000 recognised on goodwill during the six months ended 30 June 2019. The recoverable amount of this CGU as at 31 December 2019 is RMB7,481,000.

25. INTANGIBLE ASSETS

	Operating right RMB'000	Software and others RMB'000	Brand RMB'000	Total RMB'000
Cost				
At 1 January 2018	10,500	2,553	1,540	14,593
Acquisition of a subsidiary *(note 43(b))*	–	545	–	545
Acquisition of a subsidiary through step acquisition of an associate *(note 43(a))*	104,600	–	–	104,600
Disposals for the year	(2,500)	–	(1,540)	(4,040)
At 31 December 2018 and 1 January 2019	**112,600**	**3,098**	**–**	**115,698**
Additions for the year	**–**	**4,466**	**–**	**4,466**
Write-off for the year	**(104,600)**	**–**	**–**	**(104,600)**
Disposals for the year	**(8,000)**	**–**	**–**	**(8,000)**
At 31 December 2019	**–**	**7,564**	**–**	**7,564**
Accumulated amortisation and impairment losses				
At 1 January 2018	4,167	1,147	411	5,725
Amortisation for the year	13,252	225	77	13,554
Disposals for the year	(1,625)	–	(488)	(2,113)
At 31 December 2018 and 1 January 2019	**15,794**	**1,372**	**–**	**17,166**
Amortisation for the year	**12,254**	**678**	**–**	**12,932**
Write-off for the year	**(20,048)**	**–**	**–**	**(20,048)**
Impairment loss for the year	**–**	**826**	**–**	**826**
Disposals for the year	**(8,000)**	**–**	**–**	**(8,000)**
At 31 December 2019	**–**	**2,876**	**–**	**2,876**
Carrying amount				
At 31 December 2019	**–**	**4,688**	**–**	**4,688**
At 31 December 2018	96,806	1,726	–	98,532

25. INTANGIBLE ASSETS (continued)

The average remaining amortisation periods of the operating right, software and others, and brand are nil year (2018: 1 to 5 years), nil to 10 years (2018: nil to 10 years) and nil year (2018: nil year) respectively.

During the six months ended 30 June 2019, the Group decided to write off an operating right to “Running in China” marathon events with a net carrying amount of RMB84,552,000 (with the corresponding derecognition of deferred tax liability of RMB21,138,000 (see note 40 to the consolidated financial statements)). Due to organisational errors which occurred during two “Running in China” marathon events towards the end of 2018, the Chinese Athletic Association (the “**CAA**”) had requested the Group to carry out rectification and submit a report. In January 2019, the Group had completed such rectification measures and submitted such report to the CAA, which was received and accepted by the CAA. The Group believes that there are no further issues outstanding in relation to these events. Prior to the publication of the timetable (the “**Timetable**”) in relation to the marathon events to be held in the second half of 2019 for its “Running in China” marathon events published on 18 June 2019 by the CAA in 2019, the Group had been in active communication with the CAA in relation to the operation of the “Running in China” marathon events. However, according to the Timetable, save for one marathon event, none of the “Running in China” marathon events would be operated jointly by the CAA with the Group in the second half of 2019. The Group had entered into negotiations with the CAA, but no consensus was reached. Based on the opinions of professional advisors, in order to protect the interests of the shareholders, the Board of Directors concluded that the Group would no longer have the right to be the exclusive co-operator of the “Running in China” marathon events in the foreseeable future, and the Group would reserve the right to take further actions in respect of the exclusive operation of the “Running in China” marathon events and the “Running in China” marathon events as published by the CAA. Details on the Group’s assessment that it will no longer have the right to be the exclusive co-operator of the “Running in China” marathon events in the future were disclosed in the Company’s announcements dated 2 August 2019 and 18 October 2019.

Furthermore, a full impairment of certain trademarks and copyrights under software and others of RMB826,000 was recognised for the year ended 31 December 2019 as the Group’s management assessed no recoverable amount to be generated under inactive uses by the Group.

26. INVESTMENTS IN SUBSIDIARIES

Particulars of the Group's major subsidiaries at 31 December 2019 and 2018 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 2019	2018	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					
Beijing Shangde Da'ai Sports Co., Ltd. ("**SDDA**") *(note (b))*	PRC/20 May 2016/ Limited liability company	Ordinary shares RMB5,555,555	**69.1%**	69.1%	Service provision for the organisation of marathon events/ PRC
Beijing Wisdom Media Co., Ltd. *(notes (a) and (b))*	PRC/26 December 2006/Limited liability company	Ordinary shares RMB60,000,000	**100%**	100%	Investment holding/ PRC
Beijing Wisdom Sports Culture Co., Ltd. *(note (b))*	PRC/4 December 2015/Limited liability company	Ordinary shares RMB1,000,000	**100%**	100%	Corporate services/ PRC
Beijing Wisdom Sports Industry Co., Ltd. *(note (b))*	PRC/6 July 2012/ Limited liability company	Ordinary shares US$500,000	**100%**	100%	Investment holding/ PRC
Jiangxi Wisdom Sports Culture Co., Ltd. *(note (b))*	PRC/24 March 2014/Limited liability company	Ordinary shares RMB3,000,000	**100%**	100%	Event organisation and related services/PRC
Wisdom Sports Entertainment (Zhejiang) Co., Ltd (formerly known as "Wisdom Events Operation and Management (Zhejiang) Co., Ltd.") ("**ZMWH**") *(note (b))*	PRC/10 December 2013/Limited liability company	Ordinary shares RMB290,000,000	**100%**	100%	Event organisation and related services/PRC

26. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the Group's major subsidiaries at 31 December 2019 and 2018 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 2019	2018	Principal activities/Place of operation
Subsidiaries of Beijing Wisdom Media					
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%**	51.02%	Live broadcasting and program 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%**	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.

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

26. 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 2019	SDDA 2018	Xinglian Lihe 2019	Xinglian Lihe 2018
Principal place of business/country of incorporation	**PRC**	PRC	**PRC**	PRC
% of ownership interests/voting rights held by NCI	**30.9%/30.9%**	30.9%/30.9%	**48.98%/48.98%**	48.98%/48.98%
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 31 December:				
Non-current assets	**352**	94,502	**70,669**	19,829
Current assets	**14,001**	43,678	**24,652**	25,248
Non-current liabilities	**–**	(23,535)	**(100)**	–
Current liabilities	**(17,267)**	(21,499)	**(78,865)**	(29,147)
Net (liabilities)/assets	**(2,914)**	93,146	**16,356**	15,930
Accumulated NCI	**(901)**	28,782	**8,011**	7,802

	Year ended 31 December 2019 RMB'000	Period from 1 July 2018 to 31 December 2018 RMB'000	Year ended 31 December 2019 RMB'000	Period from 24 November 2018 to 31 December 2018 RMB'000
Revenue	**28,774**	74,057	**41,222**	12,774
(Loss)/profit	**(96,060)**	14,230	**426**	2,502
Total comprehensive income	**(96,060)**	14,230	**426**	2,502
(Loss)/profit allocated to NCI	**(29,683)**	4,397	**209**	1,225
Net cash (used in)/generated from operating activities	**(850)**	(890)	**(6,573)**	9,546
Net cash generated from/(used in) investing activities	**280**	240	**(56,360)**	(14,385)
Net cash generated from financing activities	**–**	–	**52,607**	13,650
Net (decrease)/increase in cash and cash equivalents	**(570)**	(650)	**(10,326)**	8,811

26. INVESTMENTS IN SUBSIDIARIES (continued)

As at 31 December 2019, the cash and cash equivalents of the Group's subsidiaries in the PRC denominated in RMB amounted to RMB123,372,000 (2018: RMB369,279,000). 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.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 RMB'000	2018 RMB'000
Listed equity security	**5,018**	9,991
Unlisted equity securities	**87,158**	19,519
	92,176	29,510

During the year ended 31 December 2019, the Group subscribed for 2.19% of the equity interest in Beijing U.S.-China Green Fund Investment Centre (Limited Partnership) (北京中美綠色投資中心(有限合夥)) ("**U.S.-China Green Fund**") with RMB50,000,000 as one of the limited partners of U.S.-China Green Fund. U.S.-China Green Fund is mainly engaged in the business of investment management and its investment scope includes green energy, energy saving and environmental protection, medical and health care, consumption upgrading, green building and other related industries.

As at 31 December 2019, the fair value of this financial asset is RMB66,143,000 accounting for 9.5% of the Group's total assets. RMB16,143,000 of unrealised gain arising from the remeasurement of this financial asset was recognised in the fair value reserve (non-recycling) in other comprehensive income, and no dividend income from such financial asset was recognised during the year ended 31 December 2019. The Group maintains to hold this financial asset for strategic purposes since initial recognition to generate long-term capital growth.

All of the financial assets at fair value through other comprehensive income are denominated in RMB.

28. INVESTMENTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Unlisted investments:		
Share of net assets	**12,409**	16,820
Goodwill on acquisition	**6,767**	6,767
	19,176	23,587
Accumulated impairment losses	**(6,843)**	(3,767)
	12,333	19,820

28. INVESTMENTS IN ASSOCIATES (continued)

Details of the Group's associates at 31 December 2019 and 2018 are as follows:

Name	Place of incorporation/ registration	Particular of issued share capital	Percentage of ownership interest/ voting power/profit sharing 2019	2018	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	RMB20,000,000 (2018: RMB50,000,000)	**10%** *(note (c))*	10% *(note (c))*	Events organisation

For investment in Vning, the recoverable amount of this investment has been determined based on fair value less costs of disposal by using discounted cash flow method. A discount rate of 29.0% (2018: 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 RMB250,000 was recognised in profit or loss for the year ended 31 December 2019 (2018: RMB3,767,000).

For investment in GTYK, the recoverable amount of this investment has been determined based on value in use by using discounted cash flow method. A discount rate of 20.0% 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 RMB2,826,000 was recognised in profit or loss for the year ended 31 December 2019.

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 Avista Group, and the fair value of the right was considered insignificant on 31 December 2018.

(b) The Articles of Association of Vning specifies that at least a half of the shareholding is required to approve for decision on directing the relevant activities of Vning. As the Group 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.

(c) Upon a resolution passed in the shareholders' meeting of SEG ZM on the registered share capital reduction of SEG ZM from RMB50,000,000 to RMB20,000,000, the Group would be returned for RMB3,000,000 of its investment cost based on its 10% equity interest in SEG ZM. During the year ended 31 December 2019, RMB1,000,000 was received and RMB2,000,000 is receivables from SEG ZM.

As the Group 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.

28. 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 2019	GTYK 2018	Vning 2019	Vning 2018
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	**50**	3,676	**7,424**	10,838
Current assets	**41,841**	35,758	**26,456**	32,846
Non-current liabilities	**–**	(540)	**–**	(600)
Current liabilities	**(10,098)**	(5,256)	**(981)**	(3,224)
Net assets	**31,793**	33,638	**32,899**	39,860
Group's share of net assets	**6,358**	6,728	**4,935**	5,979
Goodwill on acquisition	**2,826**	2,826	**3,941**	3,941
	9,184	9,554	**8,876**	9,920
Accumulated impairment losses	**(2,826)**	–	**(4,017)**	(3,767)
Group's share of carrying amount of interests	**6,358**	9,554	**4,859**	6,153
Year ended 31 December:				
Revenue	**27,508**	29,610	**6,296**	4,905
(Loss)/profit	**(1,845)**	5,937	**(6,961)**	(49,961)
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**(1,845)**	5,937	**(6,961)**	(49,961)

28. 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 2019	2018
Principal place of business/country of incorporation	**PRC/PRC**	PRC/PRC
Principal activities	**Events organisation**	Events organisation
% of ownership interests/voting rights held by the Group	**10%/10%**	10%/10%
	RMB'000	RMB'000
At 31 December		
Non-current assets	**10,717**	10,599
Current assets	**5,291**	32,181
Current liabilities	**(4,850)**	(1,648)
Net assets	**11,158**	41,132
Group's share of net assets	**1,116**	4,113
Goodwill on acquisition	**–**	–
	1,116	4,113
Accumulated impairment losses	**–**	–
Group's share of carrying amount of interests	**1,116**	4,113
Year ended 31 December:		
Revenue	**23,205**	9,391
Profit/(loss)	**26**	(11,324)
Other comprehensive income	**–**	–
Total comprehensive income	**26**	(11,324)

As at 31 December 2019, the cash and cash equivalents of the Group's associates in the PRC denominated in RMB amounted to RMB29,622,000 (2018:RMB36,873,000). 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.

29. OTHER NON-CURRENT ASSETS

	2019 RMB'000	2018 RMB'000
Prepayments for property, plant and equipment	**65,844**	14,805
Earnest money paid for a potential equity investment	**13,000**	–
Prepayment for intangible assets	**–**	560
	78,844	15,365

The carrying amounts of other non-current assets are all denominated in RMB.

30. INVENTORIES

	2019 RMB'000	2018 RMB'000
Finished goods	**2,414**	4,124

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'000	2018 RMB'000
Listed equity securities		
– Hong Kong	**6,431**	60,344
– the PRC	**6,798**	–
	13,229	60,344

32. TRADE AND BILLS RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade and bills receivables	**104,122**	180,757
Allowance for impairment of trade and bills receivables	**(49,158)**	(32,976)
	54,964	147,781

The Group generally allows an average credit period of 180 days (2018: 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 aging analysis of trade and bills receivables, net of allowance for impairment of trade and bills receivables, presented based on the invoice dates is as follows:

	2019 RMB'000	2018 RMB'000
Within 1 month	**23,671**	63,704
1 to 3 months	**18,700**	26,761
4 to 6 months	**2,210**	42,210
7 to 12 months	**2,939**	9,142
1 to 2 years	**7,444**	5,349
Over 2 years	**–**	615
	54,964	147,781

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

33. OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Government grants receivables	–	720
Cash held at security trading accounts	13,323	888
Deposits with media companies and event organisation companies	11,928	16,870
Advance to employees	3,594	3,979
Lease and other deposits	1,194	2,358
Amount due from 北體智美場館運營(深圳)有限公司 ("**TYCG**") *(note (a))*	37,984	30,518
Amounts due from related companies *(note 46(a)(ii))*	7,512	5,512
Fund investment in a partnership *(note (b))*	52,000	52,000
Loans to companies *(note (c))*	97,475	110,597
Others	3,190	5,043
Allowance for impairment of other receivables	(39,130)	(4,770)
	189,070	223,715
Non-current portion	(59,629)	–
Total current portion	129,441	223,715
Non-current portion		
Loans to companies *(note (c))*	60,000	–
Allowance for impairment of other receivables	(371)	–
Total non-current portion	59,629	–

Notes:

(a) The balances as at 31 December 2019 and 2018 relate originally to a 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 proposed investment is now terminated due to sudden significant deterioration in the liquidity of TYCG during the second half of 2019. This balance is therefore categorised under "Stage 3" and a full allowance for impairment was provided as at 31 December 2019 as a result of the significant financial difficulties from the insolvency of TYCG. The Group had commenced legal proceedings on the debt recovery and details of the corresponding legal proceedings were disclosed in the Company's announcement dated 11 February 2020.

33. 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.

(c) The balance as at 31 December 2019 represents a total of 6 loans to 5 companies which are independent third parties and the business partners of the Group, with loan periods ranging from 1 to 3 years and fixed interest rates ranging from Nil% to 5.0% per annum. RMB94,025,000 of the loans are pledged with properties located in the PRC as at 31 December 2019.

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% per annum. RMB93,400,000 of the loans are pledged with properties located in the PRC after 31 December 2018.

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

34. PREPAYMENT AND OTHER CURRENT ASSETS

	2019 RMB'000	2018 RMB'000
Prepayment for media resources	640	676
Prepayment for sport competition and event organisation expenses	7,723	30,897
Prepaid property management fees	342	1,006
Value-added and other taxes' credits	25,276	15,674
Others	1,124	3,273
	35,105	51,526

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

35. CASH AND CASH EQUIVALENTS

	2019 RMB'000	2018 RMB'000
Cash on hand	**35**	90
Bank balances	**167,282**	417,265
Cash and cash equivalents	**167,317**	417,355

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.

36. SHARE CAPITAL

	2019 and 2018		
	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	–
Issued and fully paid:			
Ordinary shares of US$0.00025 each			
At 1 January and 31 December	1,592,942	398	2,454

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-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Total debt comprises lease liabilities. Adjusted capital comprises all components of equity (i.e. share capital, retained profits and other reserves) except for non-controlling interests.

Since there were only lease liabilities as at 31 December 2019 which could be fully covered by the cash and cash equivalents balance, and there was no total debt as at 31 December 2018, accordingly the calculations of debt-to-adjusted capital ratio at 31 December 2019 and 2018 are not meaningful.

The externally imposed capital requirement for the Group is to have a public float of at least 25% of the shares in order to maintain its listing on the Stock Exchange.

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

(a) Statement of financial position of the Company

	2019 RMB'000	2018 RMB'000
Non-current assets		
Investments in subsidiaries	**120,413**	309,898
Current assets		
Financial assets at fair value through profit or loss	**6,431**	60,344
Other receivables	**5,721**	1,532
Cash and cash equivalents	**35,408**	47,090
	47,560	108,966
TOTAL ASSETS	**167,973**	418,864
Capital and reserves		
Share capital	**2,454**	2,454
Reserves	**161,113**	413,610
TOTAL EQUITY	**163,567**	416,064
Current liabilities		
Other payables and accrued expenses	**4,406**	2,800
TOTAL EQUITY AND LIABILITIES	**167,973**	418,864

Approved by the Board of Directors on 30 March 2020 and are signed on its behalf by:

Ren Wen
Director

Song Hongfei
Director

37. 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	Retained profits RMB'000	Total RMB'000
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
At 1 January 2019	**153,007**	**5,694**	**254,909**	**413,610**
Total comprehensive income for the year	**–**	**–**	**(148,952)**	**(148,952)**
Payment of 2018 final dividend *(note 19)*	**(98,762)**	**–**	**–**	**(98,762)**
Share-based payments	**–**	**48**	**–**	**48**
Lapse of share option	**–**	**(4,831)**	**–**	**(4,831)**
At 31 December 2019	**54,245**	**911**	**105,957**	**161,113**

38. 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.

(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.

38. RESERVES (continued)

(b) Nature and purpose of reserves (continued)

(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(t) 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.

(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 Media 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) comprises the cumulative net change in the fair value of financial assets at fair value through other comprehensive income held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 5(l) to the consolidated financial statements.

39. LEASE LIABILITIES

	Minimum lease payments 2019 RMB'000	Present value of minimum lease payments 2019 RMB'000
Within 1 year	5,876	5,432
Between 1 and 2 years	2,965	2,871
	8,841	8,303
Less: Total future interest expenses	(538)	
Present value of lease liabilities	8,303	

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to HKFRS 16 are set out in note 3 to the consolidated financial statements.

40. DEFERRED TAX

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

Deferred tax liability	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 43(a))*	26,150
Credited to profit or loss for the year *(note 14)*	(2,615)
At 31 December 2018 and 1 January 2019	23,535
Credited to profit or loss for the year *(note 14)*	(2,397)
Derecognition for the year *(notes 14 and 25)*	(21,138)
	–

Deferred tax assets	Allowance for impairment of trade and bills receivables RMB'000
At 1 January 2018	(2,199)
Credited to profit or loss for the year *(note 14)*	(2,917)
At 31 December 2018 and 1 January 2019	(5,116)
Credited to profit or loss for the year *(note 14)*	(4,212)
At 31 December 2019	(9,328)

40. DEFERRED TAX (continued)

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

	2019 RMB'000	2018 RMB'000
Deferred tax liability	–	23,535
Deferred tax assets	(9,328)	(5,116)
	(9,328)	18,419

At the end of the reporting period, the Group has not recognised deferred tax assets in respect of unused tax losses of RMB106,508,000 (31 December 2018: RMB74,251,000) 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 RMB555,583,000 (31 December 2018: RMB751,002,000) 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.

41. TRADE PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	44,092	67,454

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

	2019 RMB'000	2018 RMB'000
Within 1 month	27,564	28,381
1 to 3 months	5,631	23,560
4 to 6 months	1	1,217
7 to 12 months	2,931	7,464
Over 12 months	7,965	6,832
	44,092	67,454

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

42. 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.

As at 31 December 2019, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 465,000 (2018: 1,180,000), representing approximately 0.0% (2018: 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

42. 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 2019 are as follows:

Option type	Outstanding at 1.1.2019	Reclassification	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31.12.2019
Executive Directors:							
Song Hongfei	215,000	–	–	–	–	–	215,000
Employees	165,000	–	–	–	(165,000)	–	–
Option 1	380,000	–	–	–	(165,000)	–	215,000
Executive Directors:							
Hao Bin	150,000	–	–	–	–	–	150,000
Employees	650,000	–	–	–	(550,000)	–	100,000
Option 2	800,000	–	–	–	(550,000)	–	250,000
	1,180,000	–	–	–	(715,000)	–	465,000
Exercisable at the end of the year							465,000
Weighted average exercise price	HK$6.71	–	–	–	HK$7.09	–	HK$6.14

42. 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

During the years ended 31 December 2019 and 2018, 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.

42. 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 RMB48,000 for the year ended 31 December 2019 (2018: RMB207,000) in relation to share options granted by the Company.

43. 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(d) to the consolidated financial statements as at 31 December 2018). 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. 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**

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**

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(a) Acquisition of a subsidiary through step acquisition of an associate (continued)

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 31 December 2018. If the acquisition had been completed on 1 January 2018, total Group revenue for the year ended 31 December 2018 would have been RMB461,485,000 and profit for the year ended 31 December 2018 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.

(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 program 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 program 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 program 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.

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Acquisition of a subsidiary (continued)

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

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 31 December 2018. If the acquisition had been completed on 1 January 2018, total Group revenue for the year ended 31 December 2018 would have been RMB489,622,000 and profit for the year ended 31 December 2018 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.

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2019 RMB'000	Impact on initial application of HKFRS 16 *(note 3)* RMB'000	Restated balance at 1 January 2019 RMB'000	Additions for the year RMB'000	Interest expenses *(note 12)* RMB'000	Payment of lease liabilities RMB'000	Disposal for the year RMB'000	31 December 2019 RMB'000
Lease liabilities	–	20,093	20,093	10,732	56	(7,425)	(15,153)	**8,303**

44. CONTINGENT LIABILITY

As at 31 December 2019, the Group has a contingent liability of RMB2,300,000 relating to a litigation matter undergoing in the PRC about a breach of contract for the provision of Events Operation and Marketing services (2018: RMB1,900,000 about litigation and arbitration matters of 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.

45. COMMITMENTS

(a) Strategic cooperation agreement with a sports-related organisation commitment

As at 31 December 2018, the Group has a strategic cooperation with Asia Athletics Association with an exclusive right granted to the Group for organising a marathon event organised and operated by the above organisation in 2019. During the year ended 31 December 2019, the Group made the payment to Asia Athletics Association for a marathon event held in 2019.

According to the strategic cooperation agreement, the future committed payment as at 31 December 2018 is as follows:

	2018 RMB'000
Within one year	1,953

45. COMMITMENTS (continued)

(b) Capital commitments contracted for but not provided for at the end of the reporting period

	2019 RMB'000	2018 RMB'000
Property, plant and equipment	**5,035**	27,565
Capital contribution to a financial asset at fair value through other comprehensive income	**–**	45,000
	5,035	72,565

46. 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

	2019 RMB'000	2018 RMB'000
Sales – Sports Services income – SEG ZM *(note (e))*	**250**	–
Purchase – Events operation fee expense		
– SDDA *(note (b))*	**–**	13,849
Expense – Rental and household service fee		
– Shenzhen ZM Sports Stadium Investment Co., Ltd. ("**SZZM**") *(note (d))*	**49**	242
Acquisition of a right-of-use asset		
– Shenzhen Wisdom Sports Technology Limited ("**SZWS**") *(note (a))*	**440**	–
Return of investment cost from an associate		
– SEG ZM *(note 28(c))*	**3,000**	–

46. 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

	31 December 2019 RMB'000	31 December 2018 RMB'000
Other receivables from SZWS *(note (a))*	**2,977**	2,977
Advance to SZWS *(note (a))*	**1,073**	1,073
Other receivable from 深圳韌行投資有限公司 ("**SZRX**") *(note (c))*	**1,462**	1,462
Other receivable from SEG ZM *(note 28(c))*	**2,000**	–
Lease liability to SZWS *(note (a))*	**(304)**	–

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 both in prior years.

Lease liability relates to a right-of-use asset obtained through a lease from SZWS during the year ended 31 December 2019.

(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.

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 43(a)) to the consolidated financial statements).

(c) Ms. Ren Wen indirectly holds the controlling shareholding interest in SZRX. The balances as at 31 December 2019 and 2018 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 expenses represented the rental and household services provided by SZZM for the years ended 31 December 2019 and 2018

(e) SEG ZM is an associate of the Group. The sales was sourced from the timing and enrolment system services provided by the Group under Sports Services segment for the year ended 31 December 2019.

46. RELATED PARTY TRANSACTIONS *(continued)*

(b) The emoluments of Directors and other members of key management during the year were as follows:

	2019 RMB'000	2018 RMB'000
Directors' fees	**742**	700
Salaries and allowances	**3,919**	7,814
Discretionary bonuses	**10,650**	–
Share-based payments	**9**	42
Retirement benefit scheme contributions	**180**	354
	15,500	8,910

47. EVENTS AFTER THE REPORTING PERIOD

The prevalence of Novel Coronavirus Pneumonia from January 2020 has hindered the organisation of sports-related competitions globally to minimize the risk of human transmission among participants. As a result, it is expected the Group's consolidated financial performance, consolidated financial position and consolidated cash flows would be affected in 2020 under the temporary suspension of marathon and other sports events. Nevertheless, the Board of Directors is of the opinion that the Group would be able to continue as a going concern based on the Group's net current assets position as at 31 December 2019.

In addition, the Board of Directors announced on 25 March 2020 that the Group entered into a non-legally binding memorandum of understanding (the "**MOU**") with a vendor (the "**Vendor**"). Pursuant to the MOU, subject to the terms and condition to be set out in a subsequent legally binding sale and purchase agreement, the Group will acquire and the Vendor will sell the non-majority controlling interest (the "**Possible Acquisition**") of a company incorporated in the British Virgin Islands (the "**Target Company**", together with its subsidiaries, the "**Target Group**") which is the holding company of two corporations being licensed by the Securities and Futures Commission to, subject to certain conditions, carry on regulated activities in Hong Kong under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). The consideration for the Possible Acquisition will be determined, subject to adjustments, after the Group has conducted a valuation on the Target Company. Details of this Possible Acquisition were disclosed in the Company's announcement published on the Stock Exchange on 25 March 2020.

48. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 under the modified retrospective approach with no restatement on the comparative information. 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				
	2019	2018	2017	2016	2015
Comparison of Key Financial Figures	**RMB000**	RMB000	RMB000	RMB000	RMB000
Revenue	**158,967**	455,363	371,463	410,155	681,429
Cost	**(186,728)**	(329,539)	(240,845)	(273,636)	(499,574)
Gross Profit	**(27,761)**	125,824	130,618	136,519	181,855
Profit before income tax	**(499,885)**	119,365	160,148	103,850	74,464
Profit attributable to the owners of the Company	**(455,122)**	46,372	101,588	93,363	50,793
Total assets	**692,631**	1,307,419	1,332,389	1,348,523	1,160,263
Total liabilities	**93,239**	136,453	119,616	151,043	58,094