WISDOM

WISDOM SPORTS GROUP
智美體育集團

Stock Code: 1661

(Incorporated in the Cayman Islands with limited liability)

2016 ANNUAL REPORT

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为快乐

Contents

Corporate Information

EXECUTIVE DIRECTORS

Ms. Ren Wen *(Chairlady and President)*
Mr. Zhang Han *(Vice Chairman)*
Dr. Shen Wei *(Senior Vice President)*
Mr. Song Hongfei

NON-EXECUTIVE DIRECTORS

Mr. Jin Haitao
Mr. Xu Jiongwei

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wei Kevin Cheng
Mr. Ip Kwok On Sammy
Mr. Jin Guoqiang

AUDIT COMMITTEE

Mr. Wei Kevin Cheng *(Chairman)*
Mr. Jin Guoqiang
Mr. Xu Jiongwei

REMUNERATION COMMITTEE

Mr. Jin Guoqiang *(Chairman)*
Mr. Wei Kevin Cheng
Mr. Song Hongfei

NOMINATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Ms. Hao Bin
Ms. Kam Mei Ha Wendy

AUTHORISED REPRESENTATIVES

Dr. Shen Wei
Ms. Kam Mei Ha Wendy

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

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Chaoyang District
Beijing, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Kwun Tong, Kowloon, Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
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HONG KONG LEGAL ADVISERS

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13th Floor
Gloucester Tower
The Landmark
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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

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Shops 1712–1716
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183 Queen's Road East
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Hong Kong

WEBSITE

www.wisdomsports.com.cn

Financial Highlights

The board (the "**Board**") of directors (the "**Directors**" and each a "**Director**") of Wisdom Sports Group (the "**Company**" or "**Wisdom**") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2016 together with the comparative figures for the previous year.

The highlights are as follows:

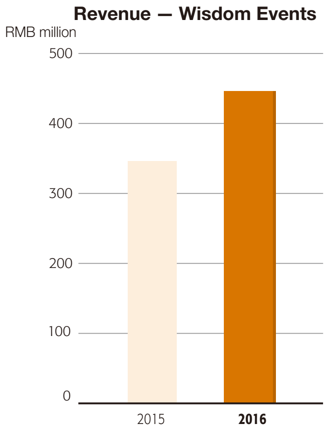
- Revenue from Wisdom Events increased by approximately 28.9% to RMB445.2million for the year ended 31 December 2016 from RMB345.3 million for the year ended 31 December 2015;

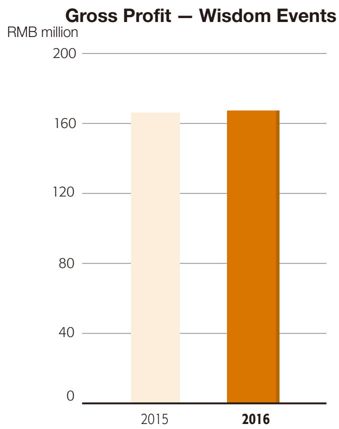
- The gross profit of Wisdom Events increased by approximately 0.8% to RMB167.1 million for the year ended 31 December 2016 from RMB165.8 million for the year ended 31 December 2015;

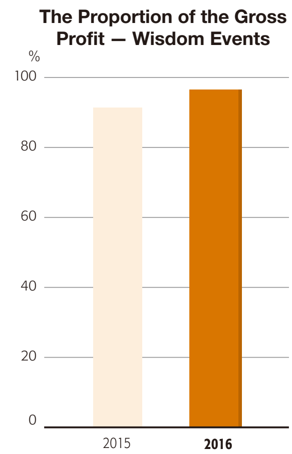
- The proportion of the gross profit from Wisdom Events increased to approximately 96.4% for the year ended 31 December 2016 from 91.2% for the year ended 31 December 2015;

- Gross profit was satisfactory despite extra cost incurred as events were operated at high standard with safety racing, professional services and excellent media coverage to ensure high brand value and sustainable development. The group's net profit increased by 83.9% to RMB93.4 million for the year ended 31 December 2016 from RMB50.8 million for the year ended 31 December 2015.

- The Board does not propose to declare dividend for the year ended 31 December 2016.







Chairlady's Statement

Dear Shareholders,

First of all, thank you for your continued care and support for Wisdom Sports Group, encouraging us through a key year of transition and improvement. This past year, the Group has experienced tough tests and emerged to continue the consolidation of our leading position in the sports industry, particularly in the road running industry.

In 2016, the Group recorded revenue of RMB480 million, of which revenue from sports events management and organisation soared to RMB445 million, a 28.9% increase from RMB345 million over the same period in 2015. The Group has therefore done well, both in comparison with the industry year-on-year, and in comparison with our own performance month-on-month. Revenue from our sports business has increased significantly and now accounts for 93% of the Group's total revenue. We have achieved a marvelous transformation towards a "pure sports" strategic development.

At the start of 2016, the Group's management, after careful consideration, decided to bite the bullet and resolutely ended the Group's media advertising business. It had an impact on our short-term revenue and profits, but it also eliminated the ongoing worry of our investors on the future prospect in the traditional media market industry. After a year of incessant hard work, the Group has successfully transitioned from a period of "hitting the wall" and entered a period of "healthy, sustained and stable development."

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Wisdom Sports Group now owns more than half of the market share in the organisation of marathons in China's provincial level cities. All events have received international and national level awards. For the first time, the Group has represented China's road running industry in organising international events outside of China. Building self-owned IP is the core of the sports industry and the direction of future development of the industry. Having self-owned IP promotes the formation of a chain of products in the industry's upstream and downstream developments, including sports agency, sports services, sports derivative products, and media products. It will also stimulate additional individual consumption in China's sport population.

Based on this insight, Wisdom Sports Group will fully implement a comprehensive marathon industry development strategy from 2016–2019, focusing on building competitions with IP value at the international, national, municipal, and amateur levels, providing market and data support for a diversified marathon industry and its products, in order to successfully improve the general strategy of the road running industry. The Group has a huge lead in the number and quality of organised events, as well as the volume of media coverage platforms, sponsors, and users, creating a significant agglomeration effect on both upstream and downstream organizations in the industry.

At the same time, Wisdom Sports Group has completed a general upgrade of the Company's management system, introducing 236 documents on operation management, building an operation management encyclopaedia for the sports industry, making the Company's management structure more internationalised and standardised. Various operational processes and management standards have gradually become the general standard in the industry, effectively controlling management costs and risks arising from the rapid expansion of scale.

2017 shall be the first year in the Group's "stable transformation period." After enduring the pressure of the transitional period, the Group has developed a platform where operation, management, and capital work together in coordination, focused on conducting systematic layout planning in the area of individual consumption in the sport population, and building quality products and services, in anticipation of the explosive growth in the consumer market.

Thank you again to the many investors who have stayed committed to us and continue to support us, I believe that Wisdom Sports Group will continue to provide excellent results and prospects for all of us.

Ren Wen
Chairlady

Management Discussion and Analysis

GROUP OVERVIEW

The Group is engaged in the business of operating road-races, basketball tournaments, mass sports events etc. and has established strategic cooperation with various provincial and municipal sports authorities in China. Adhering to the strategic changes in 2015, the Group strengthened efforts in exploiting sports industry platform strategy in 2016, set the goal of connecting human sporting genes, continued to deepen the layout for its sports industry-chain and intensified cooperation with other industry platforms to utilize its core strengths in the area of population, data and consumption of road-race projects to provide different consumer options for the massive sports-enthusiasts. Centering on population, consumption and data, the Group extended its positioning in the four segments covering event management, sports marketing, sports services, and brand media in the field of sports. In the meantime, the Group accelerated its operating-platform expansion through integrating of excellent talents, high-end technologies and increased business investment.

Commencing from 2016, the Group started to implement the 2016–2019 marathon industry-wide development strategy and focused on producing international IP events, national-level IP events, city-level IP events and recreational IP events to provide consumption, population and data support for its diversified marathon segments and products so as to successfully upgrade the overall strategy of the road-race segment. The Group has also succeeded in its bid to host the "One Belt and One Road" marathon series sponsored by the Chinese Athletic Association, using the marathon series to promote sports and cultural exchanges among domestic and international cities surrounding the "One Belt and One Road" zone and to enhance the Group's international branding and China's athletic development. In November 2016, the Chinese Athletic Association and the Group jointly announced the signing of a memorandum of cooperation with the relevant authorities of Malaysia to include Malaysia in the series as the first move to launch the series internationally. At the 85th Council of Asian Athletics Association held in October 2016, Wisdom Competition Operation Management (Zhejiang) Co., Ltd. (智美賽事運營管理 (浙江) 有限公司), a wholly-owned subsidiary of the Group, has obtained the development, organization and operation rights of the 16th Asian Marathon Championship in 2017 and the 17th Asian Marathon Championship in 2019. The Group also entered into a strategic partnership with the government of Shizuoka Prefecture, Japan. According to the five-year strategic cooperation agreement signed in October 2016, the two parties will conduct sports cultural exchanges and cooperation in China and Shizuoka Prefecture, Japan and carry out the development of sports events and sports tourism projects.

Moreover, recreational road-race events such as the independent IP event "Season Run" will actively explore new markets in the area of sports marketing, and will form multi-field linkage and multi-city coverage with reputable enterprises to offer a broader B2B (Business to Business) market for the Group.

In respect of basketball project, the Group obtained the four-year (2016–2019) commercial right of the National Basketball League ("**NBL**") (one of the three professional basketball leagues in China) and acquired 20% equity interest in the league-management company, Beijing Enbiou Sports Management Co., Ltd. (北京恩彼歐體育管理有限公司), to become its single largest shareholder. In 2016, due to the full operational efforts exerted by the Group, great results were achieved in respect of NBL. In the meantime, the Group is well prepared for the competitive bidding for Chinese Basketball Association. In addition, the Group will cooperate with the basketball clubs in other Asian countries to jointly create new international basketball IP events.

In addition to the operation of events, the Group also deployed the subsequent development of sports services. Sports events such as marathon can gather the maximum number of participants to provide a large participant-database, and to derive relevant sports services and products such as sports tourism and to build marathon destination-tourism projects for domestic and international events, providing a variety of sports consumption products for sports-enthusiasts in China.

BUSINESS REVIEW

I. Wisdom Events

The main business of the Group is Wisdom Events segment which mainly includes the operation of sports tournaments and events. The main revenues were derived from marketing activities involving both customers and consumers, namely, title sponsorships, general sponsorships and advertising incomes paid by brand customers, enrolment fees, admission fees and sale of products and services to consumers.

The year of 2016 witnessed the continuing development of the Group in the field of professional road-races. The Group fully excelled in the organization of marathon events: ensured a high quality-standard of the events, implemented uniform standards for procurement, improved health-care assurance and established media facilities. The Group successfully operated more than ten major marathon events in Guangzhou, Shenzhen, Hangzhou, Bao'an (Shenzhen), Changsha, Dongguan, Jilin and Nanchang. Among them, the Group obtained the right to operate Shenzhen International Marathon through successful bidding in 2016.

In addition to the sustainable development of the road-race segment, the Group also achieved a good result in other segments in 2016. The Group obtained the four-year (2016–2019) commercial right of the NBL (one of the three professional basketball leagues in China) and acquired 20% equity interest in the league-management company, Beijing Enbiou Sports Management Co., Ltd. (北京恩彼歐體育管理有限公司), to become its single largest shareholder. There were 14 participating clubs in the 2016 season, and CCTV live-telecasted the NBL matches.

In 2016, the Group operated 11 more marathon events independently or through cooperation in first-tier cities in the PRC to rapidly occupy market share. As is well-known, new events require a branding cycle, resulting in short-term effects on the Company's overall gross margin and profitability, which was particularly prominent in the second half of 2016. In the light of the aforesaid, the Group's revenue from marketing sponsorship was still encouraging. Gross profit was also satisfactory and in the leading level in the industry despite extra costs incurred as the Group consistently commits to operating marathon events at high standards with safety racing, professional services and excellent media coverage to ensure high brand value and sustainable development.

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II. Wisdom Program & Branding

The Group's other business is Wisdom Program & Branding segment business. The revenues were derived from TV program production, distribution and advertising business. Given the overall economic slowdown of China, the traditional advertising industry has suffered a tremendous set-back. The Group's management conducted an in-depth discussion, analysis and judgment of the market, made a systematic deployment on the sports industry platform according to its own strategy, made a determined decision to forgo the renewal of the advertising contracts for traditional columns with CCTV. Despite of short-term effects on the Group's income and profit, it eliminates investors' long-term worry about the prospects of the business market of conventional media.


OUTLOOK OF THE INDUSTRY AND THE GROUP

In July 2016, the General Administration of Sport of China officially issued the "'13th Five-Year' Plan for the Development of Sports Industry" which made detailed description and deployment between the five major aspects covering forthcoming trend: general requirements, major tasks, key industries, key measures and development basis of China's sports industry. The expansion of the sports industry to reach the periodical target of RMB3 trillion in the "13th Five-Year" Plan Period has become a policy for China's sports industry. The operation of the China's sports industry has been liberalized and even globalized and simultaneously, a high degree of commercialization will also be the general trend. This undoubtedly coincides with the Group's development strategies and goals and it is conducive to the rapid business development of the Group on the existing platform.

Management Discussion and Analysis

The sports sector is a huge industry, which consists of events, equipment, related services and so on. Events are undoubtedly the core of the sports industry. Events participation and game watching are the original sources of motivation for people to enjoy sports. Hence only mastering the professional events can gather consumers and only forming a certain scale of sporting mass can introduce enough consumption power into other fields. In the present sports industry in the PRC, the road-race segment will be the first to have the most participants, the biggest profit point, the largest market space and explosive growth of individuals' consumption in the future, which is what enterprises value the most. The issues to be solved rapidly by the Group is to enable more people to participate in the events, to increase efforts for holding marathon events, to let more marathon events be accessible to the public and community and to create more runner groups.

In 2017, the Group will, on the basis of wonderful independent IP events, gather nationwide sporting population to promote the upgrade of sports consumption and continue to make great efforts to build the Group into the largest road-race group in the world. The Group will invest more resources in acquisition of domestic high quality marathon event, development of sports tourism and other products and services in the consumer field. The Group entered into a Joint Venture Agreement with Circlic Interactive Tourism Sdn. Bhd., a non-wholly owned subsidiary of Salcon Berhad (a Malaysian listed company), on 27 February 2017 to jointly hold and operate Belt and Road Marathon Majors in Malaysia. The joint venture is an important part of the Group's expansion in the sports tourism segment. Regarding city events to be held in China, the Group has, apart from over ten signed major events, entered into an agreement with Changchun Municipality Sports Administration of Jilin Province in March 2017 to organize the Changchun International Marathon and, in the mean time, the Group has also successfully won the bid of Rongcheng International Marathon of Shandong Province, of which both events were awarded with exclusive operation right.

Meanwhile, the Group invested in a company which will jointly build the "Running In China" marathon series program with CCTV and Chinese Athletics Association in 2017. The program is a major breakthrough of television relay of marathon events in the PRC. It gives rise to a sharp brand enhancement for marathon events selected in "Running In China", significantly reduces the broadcasting costs of certain marathon events of the Group and improves the broadcasting quality of events.

In respect of investment acquisition, the Group has acquired 100% equity interests in Wuhan Guanghe Lixing, which possesses many IP event resources such as Wuhan Women's Half-marathon. In the meantime, the Group will take a comprehensive investment approach in related industries.

The Group will also proactively seek opportunities in other major sports events in China and abroad. As a result, the Group will restructure some of its businesses to release funds for the Group's significant development when suitable investment opportunities arise.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 29.4% to RMB480.9 million for the year ended 31 December 2016 from RMB681.4 million for the year ended 31 December 2015. This decrease was mainly due to a decrease in revenue from Wisdom Program & Branding.

Revenue from Wisdom Events increased by approximately 28.9% to RMB445.2 million for the year ended 31 December 2016 from RMB345.3 million for the year ended 31 December 2015. This increase was mainly due to (i) revenue from the sales of commercial rights of mass sports competitions; (ii) the increase in revenue from the operation of marathon events; and (iii) revenue from the NBL commercial right obtained.

Revenue from Wisdom Program & Branding decreased by approximately 89.4% to RMB35.8 million for the year ended 31 December 2016 from RMB336.2 million for the year ended 31 December 2015. This decrease was a result of the Group's change in strategy in not relying on traditional advertising business as its core business.

Cost of Services

The Group's cost of services decreased by approximately 38.4% to RMB307.6 million for the year ended 31 December 2016 from RMB499.6 million for the year ended 31 December 2015. This decrease was mainly due to the decrease in the cost of services from Wisdom Program & Branding.

Cost of services for Wisdom Events increased by approximately 54.9% to RMB278.1 million for the year ended 31 December 2016 from RMB179.5 million for the year ended 31 December 2015. This increase was mainly due to the increase in the invested cost resulting from an increase in the number of events held and the upgrade of product offerings.

Cost of services for Wisdom Program & Branding decreased by approximately 90.8% to RMB29.5 million for the year ended 31 December 2016 from RMB320.1 million for the year ended 31 December 2015. This decrease was mainly due to the decrease in the advertising business.

Gross Profit and Gross Margin

As a result of the above factors, the Group's gross profit decreased by approximately 4.7% to RMB173.3 million for the year ended 31 December 2016 from RMB181.9 million for the year ended 31 December 2015. The gross profit margin for the Group increased to 36.0% for the year ended 31 December 2016 from 26.7% for the year ended 31 December 2015. The decrease of the gross profit was mainly due to the decrease in the gross profit from Wisdom Program & Branding. The increase in the gross profit margin was due to the increase in the gross profit margin of Wisdom Events.

As a result of the foregoing changes in revenue and cost of services for Wisdom Events, the gross profit for Wisdom Events increased by approximately 0.8% to RMB167.1 million for the year ended 31 December 2016 from RMB165.8 million for the year ended 31 December 2015. This increase was mainly due to more events and competitions recorded in the year of 2016 compared with that in the year of 2015 but additional resources were also incurred in raising the safety quality of the events. The gross profit margin for Wisdom Events decreased to 37.5% for the year ended 31 December 2016 from 48.0% for the year ended 31 December 2015. This decrease was primarily due to the increase in the invested cost of the optimization and upgrade of the marathon events.

As a result of the foregoing changes in revenue and cost of services for Wisdom Program & Branding, the gross profit for Wisdom Program & Branding decreased by approximately 61.5% to RMB6.2 million for the year ended 31 December 2016 from RMB16.1 million for the year ended 31 December 2015. The gross profit margin for Wisdom Program & Branding increased to 17.3% for the year ended 31 December 2016 from 4.8% for the year ended 31 December 2015. This change was mainly due to the down-sizing of the Group's traditional advertising business.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by approximately 67.5% to RMB26.5 million for the year ended 31 December 2016 from RMB81.5 million for the year ended 31 December 2015. This decrease was mainly due to the decrease of the related promotion and staffing expenses as a result of the scale-down of Wisdom Program & Branding.

General and Administrative Expenses

The Group's general and administrative expenses decreased by approximately 0.7% to RMB57.8 million for the year ended 31 December 2016 from RMB58.2 million for the year ended 31 December 2015. This decrease was mainly due to cost-saving measures taken in the administrative area.

Other Income

The Group's other income increased by approximately 5.1% to RMB29.1 million for the year ended 31 December 2016 from RMB27.7 million for the year ended 31 December 2015. This increase was primarily due to the increase of investment income from financial assets.

Other Gains

The Group's other gains increased by approximately 242.6% to RMB8.7 million for the year ended 31 December 2016 from the loss of RMB6.1 million for the year ended 31 December 2015. This increase was mainly due to the gain on disposal of a subsidiary.

Finance Income

The Group's finance income decreased by approximately 59.4% to RMB4.3 million for the year ended 31 December 2016 from RMB10.6 million for the year ended 31 December 2015. This decrease was mainly due to the decrease in the interest income from bank deposits.

Profit Before Income Tax

As a result of the foregoing, the Group's profit before income tax increased by approximately 81.3% to RMB135.1 million for the year ended 31 December 2016 from RMB74.5 million for the year ended 31 December 2015.

Income Tax Expense

The Group's income tax expense increased by approximately 75.9% to RMB41.7 million for the year ended 31 December 2016 from RMB23.7 million for the year ended 31 December 2015. This increase was mainly due to the increase in taxable profit.

The Group's effective tax rate for the year ended 31 December 2015 was approximately 31.8%, compared to approximately 30.9% for the year ended 31 December 2016. This change was primarily due to an improved tax-planning.

Profit

As a result of the foregoing, the Group's profit increased by approximately 83.9% to RMB93.4 million for the year ended 31 December 2016 from RMB50.8 million for the year ended 31 December 2015. The Group's net profit margin increased from 7.5% for the year ended 31 December 2015 to 19.4% for the year ended 31 December 2016.

Cash Flows

As at 31 December 2016, the Group's cash and cash equivalents amounted to RMB524.5 million compared with that of RMB522.3 million as at 31 December 2015.

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

	For the year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Net cash generated from operating activities	**255,647**	101,275
Net cash (used in) investing activities	**(253,916)**	(25,350)
Net cash (used in) financing activities	**—**	(152,440)
Net increase (decrease) in cash and cash equivalents	**1,731**	(76,515)
Cash and cash equivalents at the beginning of the year	**522,259**	598,486
Foreign exchange gains of cash and cash equivalents	**460**	288
Cash and cash equivalents at the end of the year	**524,450**	522,259

Net Cash Generated from Operating Activities

Net cash generated from operating activities amounted to approximately RMB101.3 million for the year ended 31 December 2015, while net cash generated from operating activities amounted to approximately RMB255.6 million for the year ended 31 December 2016. The change was mainly attributable to i) the increase of profit before income tax; and ii) receivables of previous years received in 2016.

Net Cash Used in Investing Activities

Net cash used in investing activities amounted to approximately RMB25.4 million for the year ended 31 December 2015, while net cash used in investing activities amounted to approximately RMB253.9 million for the year ended 31 December 2016. The change was mainly attributable to (i) cash outflow used in the principal and the interest of principal guaranteed products with low risk which was purchased from commercial banks and large financial institutions with good reputation; (ii) cash outflow of the Group invests in the purchase of joint ventures and associates; and (iii) cash outflow of the Group's purchase of the property, plant and equipment.

Net Cash Used in Financing Activities

Net cash used in financing activities decreased to approximately RMB0 for the year ended 31 December 2016 from approximately RMB152.4 million for the year ended 31 December 2015. This capital was mainly used in the payment of dividend which was approved by the general meeting.

Working Capital

The Group's net current assets decreased by approximately 20.4% to RMB819.9 million for the year ended 31 December 2016 from RMB1,030.5 million for the year ended 31 December 2015. Despite a slight decrease in the net current assets, the Group maintained its working capital at a high level that can fully meet the working capital requirements and support the business development.

Capital Expenditure

The total spending on the acquisition of property, plant and equipment amounted to RMB16.5 million for the year ended 31 December 2016 (for the year ended 31 December 2015: RMB3.3 million).

LIQUIDITY AND FINANCIAL RESOURCES OF THE GROUP

In order to achieve better cost control and minimize the cost of funds, the Group's treasury activities are centralized and cash is generally deposited with banks and denominated mostly in RMB. As at 31 December 2016, the Group had net current assets of RMB819.9 million (31 December 2015: RMB1,030.5 million), of which cash and cash equivalents amounted to RMB524.5 million (31 December 2015: RMB522.3 million).

The Group adopts a prudent approach in treasury management, ensuring that the Group maintains strong reserves of cash to finance its daily operations and future developments.

For the clients of the Wisdom Events, the Group normally allows them to make payments in installments according to the schedule set forth in the agreements with them. For the clients who purchase advertising time slots in Wisdom Program & Branding, the Group normally requires advance payment according to the specific payment schedules set forth in relevant advertisement placement agreements. The Group generally does not grant credit terms to these clients in the agreements with them, except for a very few clients which have a large amount of transaction volume or long business relationship with the Group. For the clients of Wisdom Program & Branding who purchase advertising resources other than advertising time slots, the Group normally allows them to make payments in installments according to the schedule set forth in the agreements with them.

In addition to the Group's payment arrangements with the clients set forth in the relevant agreements, the Group conducts a periodic review of their payment progress in the Group's internal control system and assesses the Group's credit policy for them. After taking into account of a series of factors, including transaction volume, length of business relationship, prior dealing history with the Group, creditworthiness, the industry practice, the macroeconomic and market competition environment, the Group's financial position and working capital needs and the Group's marketing and sales strategy, the Group may further extend credit periods ranging from three to six months for some of the clients in practice. Such extension of credit periods is granted on a case-by-case basis and not set forth in the payment terms in the agreements with relevant clients. The Group will continue to monitor the payment progress of these clients and take appropriate measures as to the collection of trade and notes receivables based on the Group's assessment and ongoing communications with the clients.

The Group has not experienced any material impact or effects on its operations or liquidity as a result of fluctuations in currency exchange rates for the year ended 31 December 2016, and the Group has not used any financial instruments for hedging purposes as the risk of exposure to fluctuations in exchange rates is comparatively low.

FINANCIAL RATIO

Financial ratio	As at 31 December 2016	As at 31 December 2015
Current ratio	**642.8%**	1,873.8%
Gearing ratio	**N/A**	N/A

Notes:

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

(2) Gearing ratio is calculated as net debt (total bank borrowings less cash and cash equivalents) divided by total equity. The gearing ratio is not applicable to the Group as it had no bank borrowings as at 31 December 2015 and 31 December 2016.

CHARGE ON ASSETS

As at 31 December 2016, there was no charge on the Group's assets.

CONTINGENT LIABILITIES

As at 31 December 2016, the Company had no material contingent liabilities.

CAPITAL STRUCTURE OF THE GROUP

The reorganization of the Company and the subsidiaries of the Company as set out in the prospectus of the Company dated 28 June 2013 (the "**Prospectus**") was completed on 24 June 2013. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 11 July 2013. On 7 August 2013, the Company issued an additional 9,045,000 ordinary shares at the offer price of HK$2.11 each to the public upon the partial exercise of the over-allotment option. The options to subscribe for a total of 1,210,000 shares of the Company were granted on 23 May 2014 to employees of the Group and the options to subscribe for a total of 2,500,000 shares of the Company were granted on 29 May 2015 to employees of the Group. As at the date of this annual report, no option has been exercised. Save for the above, there was no alternation in the capital structure of the Group for the year ended 31 December 2016.

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

Reference is made to the announcement dated 28 October 2014 of the Company. As at 31 December 2016, Beijing Wisdom Media Holding Co., Ltd. has invested RMB30 million to Wisdom Hongtu Fund. Save as disclosed in this annual report, for the year ended 31 December 2016, the Company has no other material investment, material acquisition and disposal of subsidiaries, associates and joint ventures. Save as disclosed in this annual report and relevant announcements, the Company has no other specific plans for material investment or acquisition of material capital assets in the future.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board has 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 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The Board is of the view that throughout the year ended 31 December 2016, the Company has complied with the code provisions as set out in the CG Code, save and except for code provision A.2.1, which states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Details will be set out under "Chairlady and Chief Executive".

MODEL CODE FOR SECURITIES TRANSACTIONS

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.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2016.

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

BOARD OF DIRECTORS

The Board of the Company comprises the following Directors:

Executive Directors

Ms. Ren Wen *(Chairlady of the Board and of the Nomination Committee, appointed as president of the Company with effect from 7 April 2016)*
Mr. Zhang Han *(Vice chairman of the Board)*
Dr. Shen Wei *(Re-designated as senior vice president of the Company with effect from 7 April 2016)*
Mr. Song Hongfei *(Appointed as executive Director and member of Remuneration Committee with effect from 26 August 2016)*
Mr. Sheng Jie *(Ceased as executive Director, vice chairman of the Board and member of Remuneration Committee with effect from 26 August 2016)*

Non-executive Directors

Mr. Jin Haitao
Mr. Xu Jiongwei *(Member of the Audit Committee)*

Independent Non-executive Directors

Mr. Wei Kevin Cheng *(Chairman of the Audit Committee and member of the Remuneration Committee)*
Mr. Ip Kwok On Sammy *(Member of the Nomination Committee)*
Mr. Jin Guoqiang *(Chairman of the Remuneration Committee and member of the Audit Committee and Nomination Committee)*

Throughout the year ended 31 December 2016, the Board held six meetings. The attendance records of the Board meetings are set out under "Attendance Records of Directors and Committee Members".

The biographical information of the Directors are set out in the section headed "Directors, Senior Management and Employees" on pages 65 to 69 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.

During the period from 1 January 2016 to 7 April 2016, Dr. Shen Wei, an executive Director, was the president of the Company. Since 7 April 2016, Dr. Shen Wei ceased to act as the president of the Company and was re-designated as the senior vice president of the Company. Ms. Ren Wen, who acts as the chairlady of the Board and an executive Director, was appointed as the president of the Company.

Ms. Ren Wen is responsible for the implementation of the strategic layout of the Group whilst Dr. Shen Wei is responsible for the operation of stadium related business. The Board meets regularly to consider major matters affecting the operations of the Group. The Board considers that this structure does not impair the balance of power and authority between the Board and the management of the Group. Executive Directors and the senior management perform separate duties to assist the chairlady and the president. The Board considers that the structure ensures an effective operation of the Group by exercising consolidated and consistent leadership. For details, please refer to the Company's announcement dated 7 April 2016.

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

Independent Non-executive Directors

During the year ended 31 December 2016, 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 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 independence guidelines set out in Rule 3.13 of the Listing Rules. 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.

Each of the executive Directors, Ms. Ren Wen has entered into a service agreement with the Company for a term of three years commencing from 20 March 2015; Mr. Zhang Han has entered into a service agreement with the Company for a term of three years commencing from 14 June 2013, which was renewed for three years commencing from 14 June 2016; Dr. Shen Wei has entered into a service agreement with the Company for a term of three years commencing from 16 May 2014; whilst Mr. Song Hongfei has entered into a service agreement with the Company for a term of three years commencing from 26 August 2016. Either party may terminate the service agreement by giving the other party not less than six months' notice in writing.

Each of the non-executive Directors, Mr. Jin Haitao and Mr. Xu Jiongwei, has entered into an appointment contract with the Company for a term of three years commencing from 14 June 2013, which were renewed for three years commencing from 14 June 2016. Either party may terminate the appointment contract by giving the other party not less than three months' notice in writing.

Each of the independent non-executive Directors, Mr. Wei Kevin Cheng, 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 2013, which were renewed for three years commencing from 14 June 2016. Either party may terminate the appointment contract by giving the other party not less than three months' notice in writing.

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 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. 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.

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. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including non-executive Directors and 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 co-ordinating 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

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

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

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

During the year ended 31 December 2016, the Directors have participated in continuous professional development by attending seminars, in-house briefing or reading materials on the following topics to develop and refresh their knowledge and skills:

Directors	Topics of training covered *Note*
Executive Directors	
Ms. Ren Wen	1, 2, 3
Mr. Zhang Han	1, 2, 3
Dr. Shen Wei	1, 2, 3
Mr. Song Hongfei*	1, 2, 3
Mr. Sheng Jie*	1, 2, 3
Non-executive Directors	
Mr. Jin Haitao	1, 2, 3
Mr. Xu Jiongwei	1, 2, 3
Independent Non-executive Directors	
Mr. Wei Kevin Cheng	1, 2, 3
Mr. Ip Kwok On Sammy	1, 2, 3
Mr. Jin Guoqiang	1, 2, 3

Note:

1. Corporate governance
2. Regulatory updates
3. Finance and accounting
4. Industry updates
5. Others, please specify

* The appointment of Mr. Song Hongfei as an executive Director and the resignation of Mr. Sheng Jie as an executive Director were effective from 26 August 2016.

In addition, relevant reading materials including directors' manual/legal and regulatory update/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 band for the year ended 31 December 2016 is set out below:

Remuneration band	Number of persons
Nil to HKD1,000,000	11
HKD1,000,000 to HKD2,000,000	4

Particulars regarding Directors' remuneration and the five highest paid individuals as required to be disclosed pursuant to the Listing Rules are set out in Note 11 to the consolidated financial statements of this annual report.

BOARD COMMITTEES

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

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman/chairlady and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

Audit Committee

The Company established the Audit Committee on 14 June 2013 with the amended written terms of reference approved by the Board on 31 March 2016 in compliance with Rule 3.21 of the Listing Rules and in alignment with the amendments to the Appendix 14 of the Listing Rules with effect from 1 January 2016.

The Audit Committee comprises three members, namely Mr. Wei Kevin Cheng (Chairman) and Mr. Jin Guoqiang, independent non-executive Directors and Mr. Xu Jiongwei, non-executive Director (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, to review arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control and risk management or other matters of the Company and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee held two meetings during the year ended 31 December 2016, to review annual financial results and report in respect of the year ended 31 December 2015 and interim financial results and report in respect of the period ended 30 June 2016 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 and connected transactions. 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 once 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 comprises three members, namely Mr. Jin Guoqiang (Chairman) and Mr. Wei Kevin Cheng, independent non-executive Directors, and Mr. Song Hongfei, executive Director. Mr. Sheng Jie ceased as the member of Remuneration Committee and Mr. Song Hongfei was appointed as the member of Remuneration Committee with effect from 26 August 2016.

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 two meetings during the year ended 31 December 2016 to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management and other related matters. The attendance records of the Remuneration Committee are set out under "Attendance Records of Directors and Committee Members".

Nomination Committee

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

The Nomination Committee comprises three members, namely Ms. Ren Wen (Chairlady), 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 Company firmly believes that the increasing diversity at the board level is one of essential elements in supporting the attainment of its strategic objectives and its sustainable development, therefore, the Company has adopted a Board Diversity Policy. In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

The Nomination Committee held two meetings during the year ended 31 December 2016 to review the structure, size and composition of the Board, the independence of the independent non-executive Directors and to consider and recommend to the Board on the appointment of Mr. Song Hongfei as an executive Director. The Nomination Committee also considered 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".

Corporate Governance Functions

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

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

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

The attendance records of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2016 is 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	6/6	2/2	—	—	1/1
Zhang Han	6/6	—	—	—	1/1
Shen Wei	6/6	—	—	—	1/1
Song Hongfei*	3/3	—	—	—	—
Sheng Jie*	3/3	—	2/2	—	1/1
Jin Haitao	—	—	—	—	1/1
Xu Jiongwei	6/6	—	—	2/2	1/1
Wei Kevin Cheng	5/6	—	2/2	2/2	1/1
Ip Kwok On Sammy	6/6	2/2	—	—	1/1
Jin Guoqiang	6/6	2/2	2/2	2/2	1/1

* The appointment of Mr. Song Hongfei as an executive Director and the resignation of Mr. Sheng Jie as an executive Director were effective from 26 August 2016.

Apart from regular Board meetings, the Chairlady also held one meeting with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors during the year ended 31 December 2016.

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 provides a confirmation to the Board on the effectiveness of these systems.

The internal control department is assigned with the task to organize and coordinate the risk identification and evaluation procedure and prepare risk evaluation report. The notice of risk identification is submitted and the action plans to regulate such risk are reported to the Audit Committee.

The internal audit department is responsible for assisting the Audit Committee to review effectiveness of risk management and internal control systems of the Group, and takes 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 to execute risk management procedure and internal control measures.

3. Risk Management

3.1 Risk Management Objective

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

- Identify, evaluate, analyse, respond 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 agency, 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 objective.

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 goal 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 risks evaluation criteria. Certain significant 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 response: risk responsibility department shall properly employ risk avoidance, reduction, sharing, taking or other methods to formulate risk response scheme for significant risks by considering risk tolerance of the Group, which prompts the Group to allocate resources rationally to cope with risk or perfect countermeasures, so that the overall level of risk of the Group can be reduced to acceptable extent.

Risk control and report: the early-warning index of risks, internal audit, regular risk summary report 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 2016. Such significant risks of the Group, their nature and extent of change and their respective key strategies/control measures are set out below:

Risk Category	Risk Description	Risk control measures	Risk Change Trend
Internal Management Risk	**Potential internal management risk that may result from market expansion** As road running industry and related events management become gradually mature, the market of road running keeps expanding, and user demand keeps increasing, the Company needs to improve its internal system process, timely adjust its organizational structure, and promote ability of inter-departmental communication and collaboration, otherwise the Company's sustainable operation, revenue and performance may be threatened.	The Company proactively pays close attention to the matching between market situation and the Company's organizational structure, the soundness of Company systems, and the smoothness of inter-departmental collaboration, and timely makes adjustment to adapt to the market.	Equal
Event operation risk	**Risk of communication and connection** Wisdom Sports Group is currently the largest marathon industry operator in China, operating and managing marathon events in a number of large Chinese cities. During implementation of events, the Company needs to keep in touch with local governments, sports bureaus, CCTV, suppliers, and sponsors frequently. In the communication process, unexpected temporary adjustment cases may happen, or the change of people in charge from the other sides may happen and cause obstructed communication. These situations may affect normal operation of events, increase the difficulty of implementation, and bring risks to normal business operation of the Company.	Event companies need to attach importance to the daily active maintenance of the relationship with governments, sports bureaus, propaganda organizations and other organizations, and make good necessary preparations for the events in advance. In addition, the event companies need to improve the resilience of event operation personnel.	Decrease

Risk Category	Risk Description	Risk control measures	Risk Change Trend
Personal safety risk	**Personal safety risk may emerge during implementation of events** With constant social attention to sports events, people's enthusiasm to participate in marathon events continues to heat up, and the scale of events continues to grow. In the course of marathon events, the body of participants may come to unexpected situations, 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 risks, such as crowded stampede, terrorist attacks, etc. The above situations will affect normal operation of the events and bring adverse impacts to the Company.	The Company will step up efforts on publicity, calling on participants to pay attention to physical examination and warm-up activities before the games. The staff on-site shall organize the events effectively and make preparations and contingency work for emergency prior to beginning of the games. The Company will give beforehand training on emergency handling to staff.	Equal
Human Resources Risk	**Risk of being not able to bring in and retain professional management talent** With Wisdom Sports Group's continuous business development and continuous expansion of operation scale, the Group's demand of mid and high level professional management talents keeps increasing. Road running industry is an emerging industry, and thus there is a shortage of experienced management talents. If the Company is not good at attracting talents or reserving talents, the Company will be in a disadvantageous position in the market competition, and its operating results and prospects will be threatened.	The Company will constantly improve its human resources management system and effectively ensure the stability of the core team by means of improving working environment, strengthening occupational training, improving welfare, and perfecting incentive mechanism; uphold strict and prudent attitude to actively expand the channel of introducing talents; emphasize exploring internal potential of employees and recruit talents with an open-minded posture.	Decrease

4. Internal Control

4.1 Objective of Internal Control

The Board confirms its responsibility of overseeing the effectiveness of the Company's internal control system, while robust and effective internal control is achieved through a management structure with specific authorization 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
- Facilitate the enterprise to achieve development strategies

4.2 Internal Control

Based on COSO Integrated Framework (the Committee of Sponsoring Organizations of the Treadway Commission), the Group designs 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. As of the year ended 31 December 2016, the Group has carried out risk oriented internal control evaluation on financial reporting process, fund management process, business and revenue process, cost and payment process, and asset management process, and followed up the correction of 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 covers all material controls, including financial, operational and compliance controls.

As of 31 December 2016, the Board believes that the Company and its subsidiaries have implemented closed-loop management mechanism of internal control from planning, reviewing and 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 ensures the adequacy of resources, staff qualifications and experience, training programmes 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 *Securities and Futures Ordinance* (the "**SFO**"), *Listing Rules*, and *Guidelines on Disclosure of Inside Information* promulgated by 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 2016.

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 70 to 73.

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, Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended 31 December 2016 is set out below:

Service Category	Fees Paid/ Payable RMB'000
Audit related services	3,400
Non-audit related services	450
	3,850

Non-audit related services conducted by Deloitte Touche Tohmatsu included providing consulting services on internal control and environmental social regulatory compliance issues.

COMPANY SECRETARIES

Ms. Hao Bin, the deputy general manager of the Company and Ms. Kam Mei Ha Wendy 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 16 December 2013 respectively. The primary contact person of Ms. Kam at the Company is Ms. Hao Bin, joint company secretary of the Company.

In accordance with Rule 3.29 of the Listing Rules, the Company has received training information from the joint company secretaries of the Company, pursuant to the content of which, the Company considers that the training of the joint company secretaries was in compliance with the requirements under Rule 3.29 of the Listing Rules.

Mr. Sheng Jie was the former joint company secretary of the Company since 16 December 2013 and resigned on 26 August 2016 while Ms. Kang Xin was the former joint company secretary since 26 August 2016 and resigned on 7 November 2016. Details of the said changes of joint company secretaries were set out in the Company's announcements dated 26 August 2016 and 7 November 2016 respectively.

SHAREHOLDERS' RIGHTS

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

Convening and Putting Forward Proposals at Extraordinary General Meeting by Shareholders

Pursuant to Article 58 of the Articles of Association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (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 procedure 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:	No. 43, Building B, 25 Xiaoyun Road, Chaoyang District, Beijing, PRC (For the attention of the IR Department)
Fax:	+8610-84742666-2054
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 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 +8610-84742666 for any assistance.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairlady of the Board and the Nomination Committee as well as chairmen of the Remuneration Committee and Audit Committee (or their delegates) will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

The 2017 Annual General Meeting of the Company ("**AGM**") will be held on 1 June 2017. The notice of AGM will be sent to shareholders at least 20 clear business days before the 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.

During the year ended 31 December 2016, 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 also available on the Company's website and the Stock Exchange's website.

Since listing on the Main Board of the Stock Exchange in 2013, the Company has always highly attached importance to all relevant provisions of Corporate Governance Code, and continues to improve all systems of corporate governance in order to ensure the operations of the Company more standard and perfect.

Environmental, Social and Governance Report

Wisdom Sports Group (hereinafter referred to as Wisdom Sports, the Group and We) believes that sound environment, society and governance performance play far-reaching influences on the sustainable development of the Group and long-term value creation for shareholders. While improving financial performance, Wisdom Sports also actively fulfils its corporate social responsibilities and pays close attention to its sustainable development.

The ESG report (hereinafter referred to as the Report) is prepared with reference to the Guideline on Environment, Society and Governance (ESG) specified in Appendix 27 of Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The report covers the Group's main source of revenues — sports event operation ranging from January 1, 2016 to December 31, 2016 (hereinafter referred to as the reporting period) and other categories related to ESG. The main stakeholders including the business department and the management have participated in importance evaluation, identification of ESG policies that are related and significant to the Group, and inclusion of these policies into the Report.

Upon evaluation by the Group's social responsibility panel, the following list is considered to be major ESG events for the Group and relevant events within the scope of ESG Guideline.

Scope set forth in ***ESG Report Guideline***	Major events concerning ESG of the Group
A Environmental	
A1 Emissions	Carbon Emissions and Wastes Management
A2 Use of Resources	Economical Use of Resources
A3 The Environment and Natural Resources	Impacts of Sports Event Operation on Environment
B. Social	
B1 Employment	Labor Practice
B2 Health and Safety	Health and Safety of Work Environment
B3 Development and Training	Employee Development and Training
B4 Labour Standards	Forbidding the Use of Child Labor and Forced Labor
B5 Supply Chain Management	Management of Suppliers and Contractors
B6 Product Responsibility	Multiple Sports Service Safe Sports Service
B7 Anti-corruption	Transparent Bidding
B8 Community Investment	Charity and Public Welfare

A ENVIRONMENTAL

The Group strictly abides by Environmental Protection Law of the People's Republic of China, actively undertakes environmental protection duties, and promotes cultural creativity industry as an engine for green GDP. We not only pay attention to energy conservation and emission reduction in our office operation, but also make efforts to minimize environmental impacts during sports event operation. During the reporting period, the Group was not involved in any litigation or fine due to violation of environmental laws and regulations.

A1 Emissions

Carbon Emissions and Wastes Management

Energy consumption is the main source of carbon emissions by the Group. Domestic wastewater is main source of sewage generated in our office operation. Wastes mainly include trash generated by sports event operation, such as waste cups and plastic bottles, etc.; and office trash, such as waste paper and packing materials, etc. No waste gas is generated.

- We reuse and recycle materials except disposable goods in sports event operation. Non-recyclable materials are given to suppliers for disposal
- We designate trash collection points for marathon races and trash is disposed after classification
- We strictly control our office supplies distribution and use. Consent is required for multiple office supplies requests from employees
- We advocate paperless office, and promote double-sided printing and paper recycling
- We promote the "Clean Your Plate Campaign" to avoid food waste

A2 Use of Resources

Economical Use of Resources

The Group's main energy consumption includes water, electricity and vehicle gasoline consumption by sports event operation and office operation. In the process of operation, we actively advocate green concept and take diverse measures to save resources and reduce resource consumption.

- We actively carry out energy conservation and environmental protection promotion and education activity
- We modify our offices for energy conservation and emission reduction
- We formulate office lighting rules and assign designated personnel for routine inspection on water and power use after each shift
- We place electricity and water conservation signs in public areas

- We actively use remote conference system to reduce onsite conferences
- We formulate vehicle use rules and record travel schedules and mileage
- We formulate and strictly implement business travel rules and encourage the use of public transportation means such as bus, subway and airport shuttle. We conduct strict management on taking taxi

A3 The Environment and Natural Resources

Impacts of Sports Event Operation on Environment

The Group not only emphasizes energy conservation and emission reduction in sports event operation and daily office work, but also advocates and promotes green lifestyle to minimize environmental impacts by popularizing marathon races and expanding the race coverage.

- We actively promote marathon races and other sports activities, and advocate green and healthy lifestyle in project preparation and implementation
- We discuss with relevant governmental departments on new project development to minimize environmental impacts of projects
- We carry out environmental protection training on student volunteers while making preparations for marathon races
- We provide auxiliary facilities for marathon races to avoid the occurrence of “Passing Urine Against Wall”

Case study: No Garbage Left after Marathon
After a major sports event, the venue is often littered with garbage. To appeal to and call on participants and citizens to pay attention to garbage deluging after sports event and encourage them to jointly keep the venue clean, Wisdom Sports takes the lead to finance one million yuan to launch “No Garbage Left after Marathon” public welfare activity to recycle garbage on marathon race venue, leaving a venue with wonderful memory lingering but without any garbage after the match.

B SOCIAL

B1 Employment

Labor Practice

The Group strictly observes provisions of laws related to employment such as the *Labor Law of the People’s Republic of China*, and has formulated internal policies to safeguard the legitimate rights and interests of employees. The Group did not violate any law or regulation on employment during the reporting period.

- We avoid any kind of discrimination or potential discrimination in employment or daily work
- We perfect employment and dismissal system and flow, and establish reasonable salary incentive mechanisms as well as fair and smooth promotion channels
- We safeguard employees’ legitimate rights and interests in social insurance, provident funds, working hours, paid leave and maternity leave, etc.

- We recruit talents through platforms of website, campus recruitment, job fair, industry forum and overseas headhunting, etc.

- We hold birthday parties for employees; in terms of female employees, we present little gifts on the Women's Day and hold relevant activities

B2 Health and Safety

Work Environment and Safety

The Group strictly observes provisions of laws related to health and safety such as the *Trade Union Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, follows the philosophy of people orientation to show care about mental and physical health of employees and strives to build an ease and comfortable work environment for every employee and lift their sense of happiness. During the reporting period, the Group did not violate any law or regulation on health and safety.

- We train employees on health and safety risks that may happen during work, to equip them with relevant knowledge and ability to safeguard personal and event operation safety

- We pay attention to employees' overall physical health, regularly organize physical examination for employees, with all contracted employees enjoying physical examination

- We optimize office area and encourage employees to design their position area according to their interest, so as to build relaxed and pleasant office environment

- We hold "Cultural Integration" activity, etc. to help employees develop harmonious relationship among coworkers

B3 Development and Training

Employee Development and Training

The Group thinks that employee growth and development is of vital importance for enterprise's long-term development, attaches high importance to reserve, education and development of compound high-end talents, and provides them with broad development platform and sufficient training, so as to build outstanding sports event operation team and excellent management team.

- We establish Shenzhen Training School and Research Center, to train sports operation talents

- We provide new employees with orientation training including many aspects, such as occupational safety, industry situation, Marathon and green travel

- We provide common employees with regular training and the management with EMBA training, etc.

- We open e-training courses to facilitate training of off-headquarters employees

- We carry out online publicity and site distribution of publicity materials, etc. to train players and audience and improve people's knowledge of Marathon

B4 Labour Standards

Forbidding the Use of Child Labor and Forced Labor

The Group strictly observes rules for labors and relevant laws and regulations such as the *Labor Law of the People's Republic of China,* and sets up comprehensive rules and regulations which forbid the use of child laborer and forced laborer. During the reporting period, the Group did not violate any law or regulation on employment.

B5 Supply Chain Management

Management of Suppliers and Contractors

The Group treasures supply chain management, pays attention to relevant qualifications of suppliers and contractors and carry out dynamic management, control and adjustment of candidate suppliers and contractors, to guarantee high efficiency and vitality of the supply chain.

- We strictly enforce our supplier and contractor admission standard to ensure fair and transparent screening process; carry out dynamic management of candidate suppliers and contractors and examine their qualifications regularly, to guarantee quality and reasonable cost of products and services purchased

- We use centralized purchasing in a large scale to cut down cost

- We classify advertisement sponsors and formulate different admission standards and management methods; select internationally and domestically leading brand sponsors except for in small sports events. In addition, all sponsors' ads must be reviewed by the sports event organizing committee and local sports bureau to ensure no false and hyped publicity

- We strictly select cooperative media and enhance win-win cooperation with CCTV and local satellite TV

B6 Product Responsibility

The Group strictly observes provisions of the Sports Law of the People's Republic of China, rules for athletic competitions and other laws and regulations and devotes itself to providing consumers with multiple and safe sports service. During the reporting period, the Group did not report any major event against laws and regulations on product and service.

Multiple Sports Service

The Group holds high quality sports events for millions of sports fans. We have actively been completing the industrial layout, with focus on road running and basketball league matches, and we develop and operate Season Run, the "Belt and Road Marathon" series, basketball league matches, etc. covering 60 cities in 15 provinces, to provide consumers with convenient and multiple sports services.

In road running:

- We only operate premium marathon events.
- We build "One City One Brand" marathon brand and highlight characteristics of host cities.
- We develop creative running activity "Season Run".
- We establish the WeChat official account of Wisdom Sports to actively introduce sports event operation situations.
- We establish Marathon Sports Event Organizing Committee mailbox and hold pre-competition fans representative communication meeting to respond to fans' demand in time.
- We establish fans club to enhance fans interaction.
- We pay attention to protect customers' privacy and carry out centralized background management by Wisdom Sports to guarantee information security.

Safe Sports Service

The Group devotes to providing customers with safe sports products and spares no effort to improve the management system and protect customers' health and safety.

- The application conditions for Marathon runners are rather strict: an application for a full marathon requires runners to submit a medical sealed report made within one year and the marathon finish report; an application for a half marathon requires runners to submit a medical report made within one year.
- Real-name registration, lottery system and other methods are adopted to prevent impostors through the cooperation with Damai.com platform.
- All marathon runners are provided with insurance with 100% coverage.
- We conduct the medical training to Marathon runners before the contest, invite physicians and provide AED (Automated External Defibrillator) near the track to ensure a timely and effective rescue.

B7 Anti-corruption

Transparent Bidding

The Group strictly abides by the *Criminal Law of the People's Republic of China, Anti-Unfair Competition Law of the People's Republic of China*, *Interim Provisions on the Prohibition of Commercial Bribery* by the State Administration for Industry and Commerce and other relevant laws and regulations, and sets up the special anti-corruption policy and strict bidding process to prevent risks of violation. During the reporting period, the Group was not involved in any litigation or fine due to corruption and bribery.

- We formulate anti-corruption policy to prohibit employees from using their duties to seek unfair benefits
- We set up the prize system for corruption reporting. If the report is true, the whistle blower will be awarded
- We list the anti-commercial bribery and anti-corruption clauses in contracts to ensure the transparency of the procurement process

B8 Community Investment

Charity and Public Welfare

The Group insists in creating wealth and value and actively contributing to the society. We, according to the characteristics of the industry itself, aim at promoting the nationwide fitness by carrying out the marathon and other activities, fulfilling our unique social responsibilities. In addition, we also actively participate in social welfare activities and support sports and other public welfare activities.

- We develop and operate various sports events to enhance people's awareness of sports and fitness and promote the nationwide fitness
- While holding the public welfare marathon, we provide quotas for the disabled to participate in and carry out the charity auctions
- We organize marathon community volunteers to serve communities
- We conduct employees' donation activities to donate daily necessities and school supplies to poor areas

Directors' Report

The Directors are pleased to submit their annual report together with the audited financial statements for the year ended 31 December 2016.

GROUP REORGANIZATION

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. The reorganization of the Company was completed on 24 June 2013 in anticipation and preparation for the listing of shares on the Main Board of the Stock Exchange. For details of the Group's reorganization, please refer to the paragraph headed "Reorganization" in the section headed "History and Reorganization" to the Prospectus.

The shares of the Company (the "**Shares**") have been listed on the Main Board of the Stock Exchange since 11 July 2013 (the "**Listing Date**"). The Global Offering (as defined in the Prospectus) includes 40,000,000 shares of Hong Kong Offer Shares and 360,000,000 shares of International Offer Shares. The offer price was HK$2.11 per share. On 7 August 2013, the Company issued an additional 9,045,000 ordinary shares at the offer price of HK$2.11 per share to the public upon the partial exercise of the over-allotment option.

BUSINESS REVIEW

Principal Activities

The Group is a leading sports culture group in China engaged in the operation of sporting tournaments and production of television programmes, with a special emphasis on the development and extension of the sports industry chain.

The principal activities and other particulars of the Company's subsidiaries are set out in Note 41 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 paragraphs headed "Business Review" and "Outlook of the Industry and the Group" under Management Discussion and Analysis of this annual report.

Principal Risks and Uncertainties

During the year ended 31 December 2016, the Group's operations were mainly subject to the following risks and uncertainties and these risks and uncertainties are continuing. If any of the circumstances or events described below actually arises or occurs, the business, results of operations, financial condition and prospects of the Group would likely suffer.

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

- With constant social attention to sports events, people's enthusiasm to participate in marathon events continues to heat up, and the scale of events continues to grow. In the course of marathon events, the body of participants may come to unexpected situations, 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 risks, such as crowded stampede, terrorist attacks, etc. The above situations will affect normal operation of the events and bring adverse impacts to the Company.

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

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

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

Financial Summary

A summary of the audited results and of the assets and liabilities of the Group for the last five financial years is set out on page 160 of this annual report. For further analysis using financial key performance indicators, please refer to the paragraphs headed "Financial Review" under Management Discussion and Analysis of this annual report.

Post Balance Sheet Events

On 10 February 2017, Shenzhen Wisdom Sports Business Co., Ltd. ("**SZWSB**") (深圳智美體育產業有限公司), an indirect wholly-owned subsidiary of the Company, has entered into an Equity Transfer Agreement ("**Transfer Agreement**") with Shenzhen Zhongke Dingtai Business Investment Partnership (LLP) ("**ZKDT**")(深圳市中科鼎泰創業投資合夥企業 (有限合夥)), a subsidiary of Suzhou Hesheng Special Material Co., Ltd. (蘇州禾盛新型材料股份有限公司), a PRC company whose stocks are traded on the Shenzhen Stock Exchange (stock code: 002290). Pursuant to the Transfer Agreement, SZWSB has conditionally agreed to sell and ZKDT has conditionally agreed to acquire an indirect wholly-owned subsidiary of the Company, Shenzhen Wisdom Basketball Business Co., Ltd. (深圳智美藍球產業有限公司), which owns exclusive commercial rights for years of 2017 to 2019 NBL at the consideration of RMB116,000,000. The completion shall take place upon certain conditions including industrial and commercial registration of the transfer, full payment of consideration and other conditions as agreed by both parties. For details, please refer to the Company's announcement dated 10 February 2017.

On 7 January 2017, Jiangxi Wisdom Sports Culture Co., Ltd. ("**Jiangxi Wisdom Sports**") (江西維世德體育文化有限公司), a wholly-owned subsidiary of the Company, entered into a Limited Partnership Agreement with Shenzhen Zhongke Guofu Yuansheng Equity Investment Management Partnership (LLP) (深圳市中科國富源盛股權投資管理合夥企業(有限合夥)) ("**ZKGF**"), whereas Jiangxi Wisdom Sports committed to make a capital contribution of RMB50,000,000 into the ZKGF and fully paid in January 2017. Jiangxi Wisdom Sports is a Limited Partner and has no influence power of the financial and operating decisions of the ZKGF.

Saved as disclosed above, there is no occurrence of events that had a significant impact on the Group's operation, financial and trading prospects from 31 December 2016 to 28 March 2017.

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 2016.

Relationships with Employees, Customers, Suppliers and Others

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

Ongoing professional development is important to the employees given the competitive business environment in which the Group operated. To ensure employees to 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 2016 is set out in the paragraph headed "Employees" under Directors, Senior Management and Employees 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 2016. During the year ended 31 December 2016, the Group's five largest customers accounted for approximately 41.8% of the Group's total revenue from rendering of services and the Group's largest customer for the year accounted for approximately 18.4% of the Group's revenue from rendering of services. The Group's five largest suppliers accounted for approximately 42.2% of the Group's total purchases, while the largest supplier for the year accounted for approximately 13.7% of the Group's total purchases.

To the knowledge of the Directors, none of the Directors or their respective 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.

The Group's five largest suppliers are engaged in business ranging from television media industry to sports culture industry. Among them, the Group has been in cooperation relationship with suppliers in television media industry for 8 years, with suppliers in sports industry for 3 to 5 years, and with suppliers in other media industry for 2 years. The Group's five largest customers are engaged in business ranging from advertising industry, sports industry to automobile industry and etc. Among them, the Group has been in cooperation relationship with customers in advertising industry for 8 years, with customers in automobile industry for at most 8 years, and with customers in sports industry for 5 years. The cooperation relationship with the five largest suppliers and customers lays solid foundation for the operation and development of the Group.

RESULTS & DIVIDENDS

Results of the Group for the year ended 31 December 2016 are set out in the consolidated statements of profit or loss and other comprehensive income of this annual report. The Board does not recommend any payment of final dividend for the year ended 31 December 2016. No interim dividend was paid by the Company for the period ended 30 June 2016.

USE OF PROCEEDS FROM LISTING

The net proceeds from issue of new shares of the Company in its global offering and the partial exercise of overallotment option (after deducting the underwriting fees, capitalized professional services fees and related expenses) amounted to approximately RMB635.9 million, which are intended to be applied in the manner as disclosed in the Prospectus of the Company in respect of the global offering of its shares. As at 31 December 2016, part of the proceeds has been applied as follows:

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

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2016 are set out in Note 27 to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution, calculated in accordance with the provisions of Companies Law, amounted to approximately RMB328,135,000.

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 2016 are set out in Note 13 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 2016.

DIRECTORS

The information of the Directors as at 31 December 2016 is illustrated below (Note):

Name	Title in the Company	Date of appointment
Ms. Ren Wen	Chairlady and executive Director	21 March 2012
Mr. Zhang Han	Executive Director	14 June 2013
Dr. Shen Wei	Executive Director	16 May 2014
Mr. Song Hongfei	Executive Director	26 August 2016
Mr. Jin Haitao	Non-executive Director	14 June 2013
Mr. Xu Jiongwei	Non-executive Director	14 June 2013
Mr. Wei Kevin Cheng	Independent non-executive Director	14 June 2013
Mr. Ip Kwok On Sammy	Independent non-executive Director	14 June 2013
Mr. Jin Guoqiang	Independent non-executive Director	14 June 2013

Note:

In accordance with Article 83(3) of the Company's Articles of Association, Mr. Song Hongfei will retire from the office as a Director at the AGM. In accordance with Article 84 of the Company's Articles of Association, Ms. Ren Wen, Dr. Shen Wei, Mr. Jin Haitao and Mr. Xu Jiongwei will retire from the office as Directors at the AGM by rotation, and being eligible, Ms. Ren Wen and Mr. Song Hongfei will offer themselves for re-election at the AGM.

Ms. Hao Bin has been proposed to be appointed as an executive Director at the AGM. An ordinary resolution will be proposed to appoint Ms. Hao Bin as an executive Director at the AGM. Details of the Directors to be re-elected or appointed at the AGM of the Company are set out in the circular to shareholders.

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

Mr. Jin Haitao was entitled to director's fee of HK$60,000 for the year ended 31 December 2016. He has waived his emoluments for the year ended 31 December 2016 and has agreed to waive his future emoluments.

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the 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 in the Listing Rules, 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 (Note 1)	603,480,000	37.51%
	Interest of controlled corporation (Note 2)	91,541,000	5.69%
Mr. Song Hongfei	Beneficial owner (Note 3)	215,000	0.01%

Note:

1. Upon completion of the capitalization issue, Queen Media Co., Ltd. ("**Queen Media**") became the direct owner of 603,480,000 Shares. The entire issued share capital of Queen Media is owned by Sky Limited ("**Trust Co**"), whose entire issued share capital is the trust asset of the SKY Trust, which was founded by Ms. Ren Wen as settlor and managed by Credit Suisse Trust Limited as trustee for the SKY Trust, which is a trust established in accordance with the law of Guernsey. The discretionary beneficiaries of the SKY Trust include Ms. Ren Wen and her family members.

2. These 91,541,000 Shares are held by Lucky Go Co., Ltd. Ms. Ren Wen holds approximately 65.45% equity interest in Lucky Go Co., Ltd. and she is deemed or taken to be interested in all the Shares held by Lucky Go., Ltd. for the purpose of the SFO.

3. Under the share option scheme of the Company, Mr. Song Hongfei holds 215,000 share options which were granted on 23 May 2014 with an exercise price of HK$3.92 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. (北京智美傳媒股份有限公司) ("**Beijing Wisdom Media**")	52.38%
	Beijing Car Culture Advertising Co., Ltd. (北京智美車文廣告有限公司) (Note 4)	100%
	Beijing Xinchuang Branding Co., Ltd. (北京新創智力品牌管理有限公司) (Note 4)	100%
	Beijing Wisdom Films Culture Media Co., Ltd. (北京智美映畫文化傳媒有限公司) (Note 4)	100%
	Beijing Kuawei Lianzhong Sports Development Company Limited (北京跨維聯眾體育發展有限公司) (Note 4)	100%
Mr. Zhang Han	Beijing Wisdom Media	0.18%

Note:

4. A wholly owned subsidiary of Beijing Wisdom Media.

Save as disclosed above, as at 31 December 2016, 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.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at 31 December 2016, 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 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 shareholder	Nature of interest	Number of shares	Approximate Percentage of shareholding interest
Trust Co	Interest of controlled corporation (Note 5)	603,480,000	37.51%
Credit Suisse Trust Limited	Trustee (Note 5)	603,480,000	37.51%
Queen Media	Beneficial owner (Note 5)	603,480,000	37.51%
Top Car Co., Ltd. (Note 6)	Beneficial owner	110,075,000	6.84%
Avance Holdings Limited	Beneficial owner	95,379,000	5.93%
Lucky Go Co., Ltd. (Note 6)	Beneficial owner	91,541,000	5.69%

Note:

5. Queen Media is the direct owner of 603,480,000 Shares. The entire issued share capital of Queen Media is owned by Trust Co, whose entire issued share capital is the trust asset of the SKY Trust, which was founded by Ms. Ren Wen as settlor and managed by Credit Suisse Trust Limited as trustee for the SKY Trust, which is a trust established in accordance with the law of Guernsey. The discretionary beneficiaries of the SKY Trust include Ms. Ren Wen and her family members.

6. As of the date of this report, Dr. Shen Wei and Mr. Zhang Han acted as the directors of Top Car Co., Ltd. and Ms. Ren Wen acted as director of Lucky Go Co., Ltd.

Save as disclosed above, as at 31 December 2016, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' REMUNERATION

Details of the Directors' emoluments are set out in Note 11 to the consolidated financial statements of this annual report. The Directors' remunerations are determined with reference to their respective duties and responsibilities within the Company.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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 2016.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or any of their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group during the year ended 31 December 2016.

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 2016.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the "**Share Option Scheme**") on 14 June 2013 for the purpose of recognizing 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 pursuant to the Share Option Scheme to the substantial shareholders, Directors (including executive Directors, non-executive Directors and independent non-executive Directors), the directors of the Company's subsidiaries and 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 authorized to grant options to subscribe for Shares 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 in respect of which options may be granted under the Share Option Scheme and under 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, excluding any shares that may be issued under the options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company), unless otherwise approved by the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules 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 9.94% of the total number of the issued Shares as at the date of this annual report.

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 of an option 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 option in excess of such limit must be separately approved by shareholders in general meeting with such grantee and his 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 shareholders in general meeting.

There is no minimum period for which an option must be held before it can be exercised, and the period during which an option may be exercised will be determined by the Board in its absolute discretion. However, no options shall be exercised 10 years after they have been granted. The subscription price of a share in respect of a particular option shall be not less than the highest of (a) the official closing price of the shares on the daily quotation sheet of the Stock Exchange; (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.

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. 50% of the options became exercisable on 23 May 2015 and 23 May 2016, and the remaining options will become exerciseable on 23 May 2017 and 23 May 2018 in equal batches, respectively subject to the satisfaction of the individual performance assessment of the said grantees for the relevant years. The options granted are exercisable from the vesting dates mentioned above to 22 May 2024. During the year ended 31 December 2016, Mr. Song Hongfei, who was granted 215,000 share options under the Share Option Scheme on 23 May 2014, was appointed as an executive Director of the Company with effect from 26 August 2016.

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. 25% of the options became exercisable on 29 May 2016 and the remaining options will become exercisable on 29 May 2017, 29 May 2018 and 29 May 2019 in three equal batches, respectively subject to the satisfaction of the individual performance assessment of the said grantees for the relevant years. The options are exercisable from the vesting dates mentioned above to 28 May 2025.

For the year ended 31 December 2016, no option has been exercised. Save as disclosed above, all of the aforementioned grantees are employees of the Group, and none of the grantees is a director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company, nor an associate (as defined in the Listing Rules) of any of them. 815,000 options lapsed due to the resignation of the employees for the year ended 31 December 2016 and no option was cancelled during such period. No options was granted by the Company for the year ended 31 December 2016.

Please refer to the announcements of the Company dated 23 May 2014 and 29 May 2015, respectively for details.

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 2016.

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 2016 and as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

NON-COMPETITION UNDERTAKINGS

As disclosed in the Prospectus, Ms. Ren Wen and Queen Media, the controlling shareholders of the Company, 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.

Each of Ms. Ren Wen and Queen Media has complied with the above undertakings during the year ended 31 December 2016.

CONNECTED TRANSACTIONS AND STRUCTURED CONTRACTS

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 Culture Co., Ltd. ("**Wisdom Culture**"), a wholly-owned subsidiary of the Company and thus the Group with effective control over Beijing Wisdom Media and, to the extent permitted by PRC law and regulations, grant the right to the Group to acquire the equity interests in Beijing Wisdom Media upon the listing. The Structured Contracts were entered into on 24 June 2013 pursuant to which all material business activities of Beijing Wisdom Media are instructed and supervised by Wisdom Culture 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 under Chapter 14A of the Listing Rules.

Operating entities of the Group controlled through the Structured Contracts

During the year ended 31 December 2016, the following are operating entities of the Group controlled through the Structured Contracts:

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

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

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

(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; and

(v) Beijing Kuawei Lianzhong Sports Development Company Limited (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.

Registered owners of Beijing Wisdom Media

As at the date of this report, 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 Wisdom Culture, 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***

  Wisdom Culture and Beijing Wisdom Media entered into an exclusive consulting and service agreement dated 24 June 2013, pursuant to which Wisdom Culture shall, on an exclusive basis, provide Beijing Wisdom Media with consulting and other related services. Pursuant to the agreement, Wisdom Culture 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 Wisdom Culture 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 Wisdom Culture 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***

  Wisdom Culture, 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 Wisdom Culture 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 Wisdom Culture 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 Wisdom Culture.

  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 Wisdom Culture 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***

  Wisdom Culture, 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 Wisdom Culture 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 Wisdom Culture 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 Wisdom Culture 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***

  Wisdom Culture 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 Wisdom Culture 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 Wisdom Culture, amongst other things, not to transfer the equity interests in Beijing Wisdom Media (save and except the transfer of shares to Wisdom Culture 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 Wisdom Culture 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, Wisdom Culture 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 Wisdom Culture by giving all of the shareholders of Beijing Wisdom Media a 30 days' prior written notice of termination. None of the shareholders of Beijing Wisdom Media shall have any right to terminate the agreement.

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

The business operations of Beijing Wisdom Media involve the production of TV programs and it currently holds a TV program production licence. Such business is subject to foreign investment restrictions under the applicable PRC laws. As such, the Group cannot acquire the equity interest in Beijing Wisdom Media. Having regard to such foreign investment restrictions, the Structured Contracts were designed to provide Wisdom Culture 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 31 December 2016 (RMB'000)	Year ended 31 December 2015 (RMB'000)
Revenue	**66,508**	158,531
Net (loss)/profit	**(4,359)**	(2,954)

	As at 31 December 2016 (RMB'000)	As at 31 December 2015 (RMB'000)
Total assets	**735,355**	571,390

For the year ended 31 December 2016, the revenue and net loss subject to the Structured Contracts amounted to approximately 13.8% and 4.7% of the revenue and net profit of the Group.

As at 31 December 2016, the total assets subject to the Structured Contracts amounted to approximately 54.5% of the total assets of the Group.

For the year ended 31 December 2015, the revenue and net profit subject to the Structured Contracts amounted to approximately 23.3% and -5.8% of the revenue and net profit of the Group.

As at 31 December 2015, the total assets subject to the Structured Contracts amounted to approximately 49.2% of the total assets of the Group.

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

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

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

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

In light of the above risks associated with the Structured Contracts, the Group has adopted a set of procedures, systems and internal control measures to ensure the sound and effective operation of the Group and the implementation of the Structured Contracts. Such procedures, systems and internal control measures include (i) regular discussions (on a no less frequent than a quarterly basis) of matters relating to compliance and regulatory enquiries from governmental authorities, if any, by the Board 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 any noncompliance 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 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 Wisdom Culture and the Company if there are any potential conflicts of interest amongst Wisdom Culture, 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 from 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 agreed to grant 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 Wisdom Culture under the Structured Contracts; and (iii) the requirement of limiting the term of the Structured Contracts to three years or less.

The Company's 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 Company's independent non-executive Directors also confirmed that since the Listing Date and up to 31 December 2016:

(1) the continuing connected transactions 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.

Confirmations from the Company's Independent Auditors

The auditors of the Company has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended 31 December 2016:

(1) nothing has come to their attention that causes the auditors to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors; and

(2) nothing has come to their attention that causes the auditors to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

During the year ended 31 December 2016, no related party transactions disclosed in note 39 to the financial statements constituted a continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosable requirements set out in Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business are provided under Note 39 to the consolidated financial statements of this annual report, and none of which constitutes a disclosable connected transaction as defined under the Listing Rules.

AUDITOR

Deloitte Touche Tohmatsu has been appointed as the external auditor of the Company to fill the vacancy immediately arising from the retirement of PricewaterhouseCoopers by an ordinary resolution passed at the annual general meeting held on 28 June 2016.

Deloitte Touche Tohmatsu has acted as auditor of the Company for the year ended 31 December 2016. Save as disclosed above, the Company has not changed its external auditor up to the date of this report.

Deloitte Touche Tohmatsu shall retire at the AGM and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the AGM.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") in compliance with Rule 3.21 of the Listing Rules and with terms of reference aligned with the code provision C.3 of the CG Code for the purpose of reviewing the financial information and providing supervision on the financial reporting system, risk management and internal control systems as well as the effectiveness of the internal audit function of the Group. The Audit Committee comprises three members, two being independent non-executive Directors and one being a non-executive Director, namely, Mr. Wei Kevin Cheng, as its Chairman, Mr. Jin Guoqiang and Mr. Xu Jiongwei.

The Audit Committee met with the external auditor of the Company to discuss the review process and accounting issues of the Company.

The Audit Committee has reviewed together with management the audited consolidated annual results of the Group for the year ended 31 December 2016 and considers it in compliance with generally accepted accounting principles as well as laws and regulations.

PROFESSIONAL TAX ADVICE RECOMMENDED

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

CLOSURE OF SHARE REGISTER OF MEMBERS

The AGM is expected to be held on Thursday, 1 June 2017. 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 Friday, 26 May 2017 to Thursday, 1 June 2017, both days inclusive. All completed transfer documents 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 Thursday, 25 May 2017 for registration.

On behalf of the Board

Ren Wen
Chairlady and Executive Director

Hong Kong, 28 March 2017

Directors, Senior Management and Employees

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

EXECUTIVE DIRECTORS

Ms. Ren Wen (任文), aged 41, 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) (now the Communication University of China (中國傳媒大學)) in January 2000.

Mr. Zhang Han (張晗), aged 38, was appointed an executive Director on 14 June 2013 and appointed as vice chairman of the Board on 24 March 2015. Mr. Zhang is one of the co-founders of the Group and has been the vice president of the Group since October 2009. He is responsible for the Group's sales and marketing operations and customer management. He served as deputy general manager of Beijing Wisdom Media from January 2007 to September 2009. Mr. Zhang has over 12 years of experience in the marketing communications industry. Mr. Zhang obtained a diploma in law from Shaanxi Administrative Cadre Institute of Politics and Law (陝西省政法管理幹部學院) (now known as Shaanxi Police Officer Training College (陝西警官學院)) in July 1999 and obtained a diploma in journalism and communication from the Renmin University of China (中國人民大學) in July 2009. As of the date of this annual report, Mr. Zhang Han acted as a director of subsidiaries of the Company, including Beijing Wisdom Culture Co., Ltd, Beijing Car Culture Advertising Co., Ltd, Tianjin Wisdom Huafu Advertising Co., Ltd., Jiangxi Wisdom Advertising Co., Ltd., Xinjiang Wisdom Advertising Co., Ltd. and Guangzhou Huafu Culture Co., Ltd.. In addition, Mr. Zhang also obtained a master's degree of business administration from China Europe International Business School in August 2014.

Dr. Shen Wei (沈偉), aged 52, was appointed an executive Director on 16 May 2014 and appointed as the senior vice president of the Company on 7 April 2016. Before that, he was appointed as the vice president on 16 December 2013, and acted as the president of the Company from 24 March 2015 to 7 April 2016. He is mainly responsible for the management of Wisdom Sports. Dr. Shen has more than 22 years of experience in automobile industry. He served as deputy general manager of Dongfeng Yulong Automobile Company Limited (東風裕隆汽車有限公司), general manager of Xiamen King Long United Automotive Industry Co., Ltd. (廈門金龍聯合汽車工業有限公司), and general manager of King Long Rubber Limited of Xiamen Motor Co., Ltd. (廈門汽車股份有限公司金龍橡膠有限公司). As of the date of this annual report, Dr. Shen Wei acted as a director of subsidiaries of the Company, including Tianjin Wisdom Sports Stadium Co., Ltd. (天津智美體育場館有限公司), Beijing Wisdom Dongren Sports Entertainment Co., Ltd. (北京智美動人體育娛樂有限公司), Beijing Widsom Huaxiang Advertising Co., Ltd. (北京智美華祥廣告有限公司) and Jiangxi Wisdom Sports Culture Co., Ltd. (江西維世德體育文化有限公司). Dr. Shen obtained his master's degree in management science and engineering from Xiamen University (廈門大學) and his doctorate's degree in management science and engineering from Huazhong University of Science and Technology (華中科技大學).

Mr. Song Hongfei (宋鴻飛), aged 46, has been appointed as an executive Director on 26 August 2016. Mr. Song has rich experience in the management of sports competitions. He joined the Group in August 2012 and served as a vice president. Mr. Song successively participated in and led nearly a hundred sports competitions of the Group, including National Basketball League (全國男子籃球聯賽), China Classic Car Rally (老式汽車中國拉力賽), FIM FreeStyle Motocross World Championship (國際摩聯花式極限世錦賽), China Dragon Boat Race (中華龍舟賽) and Dragon Boat World Cup (龍舟世界杯), Hot Air Balloon Championship (中國熱汽球公開賽), Guangzhou Marathon (廣州馬拉松), Hangzhou Marathon (杭州馬拉松), Kunming Marathon (昆明馬拉松), Changsha Marathon (長沙馬拉松), Shenyang Marathon (瀋陽馬拉松) and Season Run (四季跑). Prior to joining the Group, Mr. Song served as a deputy general manager in a subsidiary of China Sports Industry Group Co., Ltd. (中體產業集團股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600158) from February 2000 to July 2012 and participated in the organization 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.

NON-EXECUTIVE DIRECTORS

Mr. Jin Haitao (靳海濤), aged 63, is currently the principal partner of Qianhai FOF (Fund of Fund), chairman of Qianhai Fangzhou Asset Management Co., Ltd., consultant of the People's Government of Guangdong Province, president of Venture Capital Committee of Asset Management Association of China (中國證券投資基金業協會創業投資基金專業委員會), director of China Scientific and Technological Achievements Guiding Fund (國家科技成果轉化引導基金理事會), president of Shenzhen Venture Capital Association (深圳市創業投資同業公會), president of Shenzhen Private Equity Association, president of ShenZhen Electronic Commerce Association, specialist of Shenzhen Scientists and Technologists Committee, distinguished professor of Institute of Capital Market and guest professor of Peking University, Sun Yat-sen University and Huazhong University of Science and Technology. Mr. Jing was delegated to attend advanced courses at the head office of Morgan Stanley in New York and obtained the diploma accordingly. He has approximately 40 years of experience in business management, investment and financing and corporate operation in capital market. Mr. Jin obtained a master's degree of engineering from Huazhong University of Science and Technology (華中理工大學) (now Huazhong University of Science and Technology (華中科技大學)) in December 1996.

Mr. Xu Jiongwei (徐炯煒), aged 41, was appointed a non-executive Director on 14 June 2013. Prior to joining the Group, Mr. Xu held various positions in CSC Financial Co., Ltd. (中信建投證券股份有限公司) (listed on the Stock Exchange on 9 December 2016, stock code: 6066), including assistant to general manager of the investment banking division from January 2007 to January 2009, executive director of the investment banking division from February 2009 to January 2011 and subsequently managing director, responsible for the investment banking business since February 2011.

Mr. Xu graduated from Fudan University (復旦大學) with a bachelor's degree in accounting in July 1997.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wei Kevin Cheng (蔚成), aged 49, was appointed an independent non-executive Director on 14 June 2013. Mr. Wei is currently a managing partner of a corporate finance advisory firm. Mr. Wei has served as an independent non-executive director and chairman of the audit committee of the following two HKEx-listed companies, Tibet Water Resources Ltd. (stock code: 1115) since March 2011; and Nexteer Automotive Group Limited (stock code: 1316) since June 2013. From December 2007 to September 2013, Mr. Wei served as the chief financial officer of IFM Investments Limited. From July 2006 to October 2007, Mr. Wei served as the chief financial officer of Solarfun Power Holdings Co., Limited (i.e. Hanwha Q CELLS Co., Ltd. stock code: HQCL), a NASDAQ listed solar company. From 1999 to 2005, Mr. Wei worked in the internal audit and risk management functions with Asia Pacific regional or global coverage for multinational companies including LG Philips Displays International Ltd. headquartered in Hong Kong in 2003. From 1991 to 1999, Mr. Wei worked with KPMG LLP and Deloitte Touche LLP in various audit and consulting roles between United States of America and China. Mr. Wei obtained his Bachelor's degree (cum laude) with a double major in accounting and business administration from Central Washington University in June 1991. He is also a member of American Institute of Certified Public Accountant.

Mr. Ip Kwok On Sammy (葉國安), aged 54, was appointed 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. He 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), aged 71, was appointed 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 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 vice president of the Shaanxi Television Channel (陝西電視臺) from 1992 to June 2001. Mr. Jin has been an executive officer of the Association of China Commercial Enterprise Management (中國商業企業管理協會市場營銷分會) 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), our chairlady, president and executive Director. For Ms. Ren's biography, please refer to the subsection headed "Executive Directors" above.

Mr. Zhang Han (張晗), our executive Director and vice chairman. For Mr. Zhang's biography, please refer to the subsection headed "Executive Directors" above.

Dr. Shen Wei (沈偉), our executive Director and senior vice president. For Dr. Shen's biography, please refer to the subsection headed "Executive Directors" above.

JOINT COMPANY SECRETARIES

Ms. Hao Bin (郝彬), aged 36, was appointed as Joint Company Secretary on 7 November 2016. Ms. Hao joined in the Group in December 2010 and served as the deputy general manager. Before this, Ms. Hao engaged in works related to securities laws in a law firm in China, and held 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). Ms. Hao has been working in the Group over years. She 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. Kam Mei Ha Wendy (甘美霞), aged 49, was appointed as Joint Company Secretary on 16 December 2013. She is a director of Corporate Services Division at Tricor Services Limited ("**Tricor**"). Prior to joining Tricor, Ms. Kam served as manager of the company secretarial department of Tengis Limited and Ernst & Young in Hong Kong. Ms. Kam is a fellow member of both The Institute of Chartered Secretaries and Administrators in United Kingdom and The Hong Kong Institute of Chartered Secretaries and holds a Practitioner's Endorsement Certificate from The Hong Kong Institute of Chartered Secretaries. Ms. Kam has been providing professional secretarial services for over 20 years. (Note: The Company has engaged Tricor Services Limited as external service provider and appointed Ms. Kam as the Company's joint company secretary since 16 December 2013.)

EMPLOYEES

As at 31 December 2016, the Group had 210 employees in total. The table below shows a breakdown of the Group's employees by their responsibilities:

	Number of employees
Sales and marketing	47
Sports competitions and events	102
Management and administration	61
Total	210

The Group implements 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 2016 amounted to RMB50,584,000. Remuneration for employees is based on their qualification, experience, job nature, performance and market condition.

The remuneration package of the employees includes salary, bonus and other cash benefits and benefits in-kind. As required by PRC regulations, the Company participates in various employee benefits plans that are organized 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 training. The Group also selects potential management staff to receive advance training in domestic leading business schools regularly, aiming at enhancing their all-round capability.

Directors and qualified employees of the Company may be granted share options to subscribe for shares in the Company in accordance with the terms and conditions of the Share Option Scheme. As at 31 December 2016, the Company has granted certain share options under the Share Option Scheme. For further details, please refer to the paragraph headed "Share Option Scheme" in this annual report.

Independent Auditor's Report

Deloitte.
德勤

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 (collectively referred to as the "**Group**") set out on pages 74 to 159, which comprise the consolidated statement of financial position as at 31 December 2016, 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 2016, 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 ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables	
We identified the impairment of trade receivables as a key audit matter due to the significant management estimation and judgement regarding the identification of impaired trade receivables and the amount of impairment required. As described in Note 4 to the consolidated financial statements, the impairment of trade receivables is considered a key source of estimation uncertainty. Details of allowance for doubtful debts are disclosed in Note 22 to the consolidated financial statements.	Our procedures in relation to impairment of trade receivables included: • testing trade receivables ageing analysis on a sample basis by comparing the age classification with the corresponding supporting documents; and • considering reasonableness of assumptions management used for the determination of allowance for doubtful debts, and for material past-due trade receivables, corroborating management's assessment by considering factors such as the ageing analysis, payment history of the customers, subsequent collections from customers and the Group's previous experience of bad debt exposure.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs 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.

Those charged with governance are responsible 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 solely to you, as a body, in accordance with our agreed terms of engagement, 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.

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

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

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

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

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

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

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

We communicate with those charged with governance regarding, 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 those charged with governance 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 those charged with governance, 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 the independent auditor's report is Tsang Kai Tai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December 2016 RMB'000	2015 RMB'000
Revenue	5	**480,910**	681,429
Cost of services		**(307,617)**	(499,574)
Gross profit		**173,293**	181,855
Selling and distribution expenses		**(26,498)**	(81,450)
General and administrative expenses		**(57,842)**	(58,218)
Other income	6	**29,104**	27,727
Other gains and losses	7	**8,729**	(6,088)
Finance income	8	**4,269**	10,638
Share of result of an associate		**235**	—
Share of result of a joint venture		**3,786**	—
Profit before income tax		**135,076**	74,464
Income tax expense	9	**(41,713)**	(23,671)
Profit for the year	10	**93,363**	50,793
Profit attributable to owners of the Company		**93,363**	50,793
Total comprehensive income attributable to owners of the Company		**93,363**	50,793
Earnings per share attributable to owners of the Company			
Basic earnings per share	12	**RMB0.06**	RMB0.03
Diluted earnings per share	12	**RMB0.06**	RMB0.03

Consolidated Statement of Financial Position

	Notes	As at 31 December 2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	22,970	10,615
Investment property	14	19,472	20,732
Goodwill	15	105	105
Intangible assets	16	3,855	4,218
Available-for-sale investments	17	39,000	36,000
Long-term receivables	18	204,017	—
Other receivables	23	51,052	—
Interest in an associate	19	5,835	—
Interest in a joint venture	20	31,286	—
		377,592	71,670
Current assets			
Trade and bills receivables	22	219,087	334,871
Tax recoverable		—	13,244
Other receivables	23	107,453	112,265
Prepayments and other current assets	24	119,941	99,391
Financial assets at fair value through profit or loss	25	—	6,563
Cash and cash equivalents	26	524,450	522,259
		970,931	1,088,593
Total assets		1,348,523	1,160,263
EQUITY			
Equity attributable to owners of the Company			
Share capital	27	2,479	2,479
Share premium	28	337,352	337,352
Reserves	28	125,926	123,802
Retained earnings		731,723	638,536
Total equity		1,197,480	1,102,169

Consolidated Statement of Financial Position

	Notes	As at 31 December 2016 RMB'000	2015 RMB'000
LIABILITIES			
Current liabilities			
Trade payables	31	**113,285**	33,932
Other payables and accrued expenses	32	**19,399**	15,444
Advance from customers		**8,637**	8,718
Tax payables		**9,722**	—
		151,043	58,094
Total liabilities		**151,043**	58,094
Total equity and liabilities		**1,348,523**	1,160,263
Net current assets		**819,888**	1,030,499
Total assets less current liabilities		**1,197,480**	1,102,169

The consolidated financial statements on pages 74 to 159 were approved and authorised for issue by the board of directors on 28 March 2017 and were signed on its behalf by.

Ren Wen
DIRECTOR

Zhang Han
DIRECTOR

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company				
	Share capital RMB'000	Share premium RMB'000 (Note 28)	Reserves RMB'000 (Note 28)	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2015	2,479	486,993	121,813	587,935	1,199,220
Profit and total comprehensive income for the year	—	—	—	50,793	50,793
Share-based payments	—	—	1,797	—	1,797
Statutory reserves appropriation	—	—	192	(192)	—
Dividends recognised as distribution	—	(149,641)	—	—	(149,641)
Balance at 31 December 2015	2,479	337,352	123,802	638,536	1,102,169
Profit and total comprehensive income for the year	**—**	**—**	**—**	**93,363**	**93,363**
Share-based payments	**—**	**—**	**1,948**	**—**	**1,948**
Statutory reserves appropriation	**—**	**—**	**176**	**(176)**	**—**
Balance at 31 December 2016	**2,479**	**337,352**	**125,926**	**731,723**	**1,197,480**

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December 2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Cash generated from operations	33	**274,394**	200,467
Income tax paid		**(18,747)**	(99,192)
Net cash generated from operating activities		**255,647**	101,275
Cash flows from investing activities			
Acquisition of a subsidiary		**—**	(1,650)
Advances to related companies		**(10,077)**	—
Purchases of property, plant and equipment		**(16,526)**	(3,323)
Proceeds on disposal of property, plant and equipment		**—**	200
Purchases of intangible assets		**(274)**	(1,180)
Purchases of available-for-sale investments		**(3,000)**	(36,000)
Payment for investment in an associate		**(5,600)**	—
Payment for investment in a joint venture		**(27,500)**	—
Increase in long-term receivables		**(203,600)**	—
Purchases of other financial assets		**(553,552)**	(690,000)
Proceeds on disposal of other financial assets		**560,544**	695,924
Net proceeds from disposal of a subsidiary	34	**1,400**	—
Interest received		**4,269**	10,679
Net cash used in investing activities		**(253,916)**	(25,350)
Cash used in financing activities			
Dividend paid to owners		**—**	(152,440)
Net increase (decrease) in cash and cash equivalents		**1,731**	(76,515)
Cash and cash equivalents at beginning of year		**522,259**	598,486
Effect of foreign exchange rate changes		**460**	288
Cash and cash equivalents at end of year		**524,450**	522,259

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 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 and principal places of business of the Company are disclosed in the corporate information section of the annual report.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") is principally engaged in the provision of event and sponsorship services and advertising program and branding services, in the People's Republic of China (the "**PRC**" or "**China**").

These consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

Except as described below, the application of the amendments to other HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Amendments to HKFRSs that are mandatorily effective for the current year (continued)

Amendments to HKAS 1 Disclosure Initiative

The Group has applied the amendments to HKAS 1 Disclosure Initiative for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied the Amendments to HKAS 1 Disclosure Initiative retrospectively. The grouping and ordering of certain notes have been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to the understanding of the Group's financial performance and financial position. Specifically, information relating to financial instruments and details of subsidiaries was reordered to Note 36 and 41 respectively. Other than the above presentation and disclosures changes, the application of the Amendments to HKAS 1 Disclosure Initiative has not resulted in any impact on the Group's financial performance and positions in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instrument[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2017.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("**FVTOCI**"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future will have an impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Directors perform a detailed review.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to the HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors are in the process of assessing the potential impacts of HKFRS 15 in respect of the Group's contracts with customers, in particular, the Group's event and sponsorship contracts and advertising service contracts. Upon application of HKFRS 15, the Group is required to identify performance obligations under such contracts and for contracts which contain more than one performance obligations, the total consideration will be allocated to the respective performance obligations based on relative fair values, which may affect the timing and amounts of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any applicated remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Upon the application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will both be presented as financing cash flows by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB21,524,000 as disclosed in Note 38. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

The Directors anticipate that the application of other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance (the "**CO**").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Lease, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities including structured entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

(i) deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

(ii) liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

(iii) assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in an associate and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement, Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associate and joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in an associate and a joint venture (continued)

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for related sales-related tax and surcharges, rebates and discounts.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

(a) Wisdom-event and sponsorship services

Revenue from Wisdom-events and sponsorship services is mainly derived from the organising and managing of domestic and international sports-related competitions and providing other related marketing services in conjunction with these events, including events sponsorship income and events enrolment fees. The Group recognised revenue when the events completed and all services have been provided.

For sales of commercial rights of events, the Group recognised revenue on a straight line basis over the service and event periods.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(b) Wisdom-advertising program and branding services

Wisdom-advertising program and branding services unit is comprised of two service units, advertising services business unit and program production and related services business unit.

Advertising services

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

The Group contracts separately with its customers and the media suppliers, and is responsible for the payments to the media suppliers and collections from the customers. In consideration of 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 other key indicators, such as inventory risk, latitude in establishing price, variability of its earnings, ability to change the programs media supplier provides and credit risk to the vendor. Where most of the indicators suggest that the Group acts as a principal when providing the service, bears inventory risk, has latitude in establishing price and has exposure to the significant risks and rewards, revenue is recognised on a gross basis. Where the Group acts in capacity of an agent rather than at the principal in a transaction, does not bear any inventory risk and meets other net basis indicators, revenue recognised is the net amount of commission made.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(b) Wisdom-advertising program and branding services *(continued)*

Program production and related services

Revenues from program production and related services are primarily derived from directing, filming and producing video programs for television stations, including selling advertisements arising from the produced programs. The Group also earns revenue from producing video content for specific customers on an ad-hoc basis. Revenues from program production and related services are recognised in the period in which the video contents have been broadcasted by the customer, provided that no additional performance obligations remain.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that assets net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "land use rights" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payment cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are 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.

Retirement benefit costs and termination benefits

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs and termination benefits (continued)

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

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 equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because 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 temporary 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. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

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.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Intangible assets acquired in a business combination 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 in a business combination 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. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Prepayments

Prepayments primarily consist of prepayments for advertising time slots, sport competition and event organisation, programme production and to a lesser extent, prepayment to other suppliers. Prepayments related to advertising time slots, sport competition and event organisation and programme production suppliers are recognised as cost of services when the related service is received. Prepayments to other suppliers are recognised as expenses when the related service has been performed.

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity 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 or 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.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("**FVTPL**"), available-for-sale ("**AFS**") investments and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

***Financial assets** (continued)*

Financial assets at FVTPL (continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other gains and losses line item. Fair value is determined in the manner described in Note 36.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables or (b) financial assets at FVTPL.

Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income.

When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

***Financial assets** (continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables, long-term receivables and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 6 months, observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets *(continued)*

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at fair value through profit or loss, of which the interest expense is included in net gains or losses.

Financial liabilities

Financial liabilities including trade payables and other payables are subsequently measured at amortised cost, using the effective interest method.

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 Group are recognised at the proceeds received, net of direct issue costs.

Derecognition

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.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of asset and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Revenue recognition

The Group determines whether to recognise 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 3 Revenue recognition (b)). These indicators are subjective in nature and require judgment from management.

Structured contracts

On 24 June 2013, Beijing Wisdom Culture Co., Ltd ("**Wisdom Culture**") entered into a series of contractual arrangements with Beijing Wisdom Media Holding Co., Limited ("**Beijing Wisdom Media**") and its direct shareholders, comprising of 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 Wisdom Culture, 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 Wisdom Culture's ability to control Beijing Wisdom Media under PRC laws and regulations. Any changes in PRC laws, rules and regulations that affect Wisdom Culture's ability to control Beijing Wisdom Media might preclude the Group from consolidating Beijing Wisdom Culture and its subsidiaries in the future.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

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

Estimated impairment of trade receivables

When there is objective evidence of impairment loss of trade receivables, the Group takes into consideration the estimation of future cash flows. Key factors considered by management include ageing analysis, payment history of the customers, subsequent collections from customers and the Group's previous experience of bad debt exposure of past-due trade receivables. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition, where applicable). 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 2016, the carrying amount of trade receivable is RMB219,087,000 (net of allowance for doubtful debts of RMB14,099,000) (31 December 2015: carrying amount of RMB334,871,000, net of allowance for doubtful debts of RMB nil).

Income taxes

As at 31 December 2016, no deferred tax asset has been recognised on the tax losses of RMB21,141,000 (31 December 2015: RMB8,009,000) and deductible temporary differences of RMB18,526,000 (31 December 2015: RMB4,100,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. The Directors believe that it is more likely than not that deferred tax asset will not be realized as sufficient taxable income does not expect to be generated in the future.

5. REVENUE AND SEGMENT INFORMATION

The revenue attributable to the Group's service lines are as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Events sponsorship income	**279,956**	280,388
Sales of commercial rights of events		
— Mass sports events	**79,245**	60,849
— NBL event (Note)	**70,755**	—
Events enrolment fees	**15,202**	4,038
Advertising income	**35,752**	335,031
Program production	**—**	1,123
	480,910	681,429

Note: As detailed in Note 18, Wisdom Events Operation and Management (Zhejiang) Co., Ltd., ("**ZMWH**"), a wholly-owned subsidiary of the Company, entered into an agreement with Beijing Enbiou Sports Management Co., Ltd. (the "**NBL Company**") to obtain the exclusive commercial right of 2016–2019 National Men's Basketball League ("**NBL**") ("**Exclusive Commercial Right**") from NBL Company.

In March 2016, the Group entered into a contract with a customer in connection with sale of the Exclusive Commercial Right for a total consideration of RMB300,000,000, the revenue was recognised over the event period equally during four years from 2016 to 2019.

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. Therefore, the Group is divided into reportable operating segments as Wisdom-Events and sponsorship, and Wisdom-Advertising Programs and Branding as follows:

Wisdom-Events and Sponsorship	The organising and managing of sports-related competitions and providing other related marketing services in conjunction with these events, types of revenue include events sponsorship income, sales of commercial rights of events and events enrolment fees.
Wisdom-Advertising Program and Branding	Advertising and directing, filming and producing video programs for television stations and program production.

5. REVENUE AND SEGMENT INFORMATION (continued)

The segment information provided to the Chief Executive Officer for the reportable segments for the year ended 31 December 2016 and 2015 is as follows:

	Wisdom-Events and Sponsorship RMB'000	Wisdom-Advertising Program and Branding RMB'000	Total RMB'000
Revenue	445,158	35,752	480,910
Cost of services	(278,106)	(29,511)	(307,617)
Segment results	167,052	6,241	173,293
Selling and distribution expenses			(26,498)
General and administrative expenses			(57,842)
Other income			29,104
Other gains and losses			8,729
Finance income			4,269
Share of result of an associate			235
Share of result of a joint venture			3,786
Income tax expenses			(41,713)
Profit for the year			93,363

5. REVENUE AND SEGMENT INFORMATION (continued)

	Wisdom-Events and Sponsorship RMB'000	Wisdom-Advertising Program and Branding RMB'000	Total RMB'000
Revenue	345,275	336,154	681,429
Cost of services	(179,472)	(320,102)	(499,574)
Segment results	165,803	16,052	181,855
Selling and distribution expenses			(81,450)
General and administrative expenses			(58,218)
Other income			27,727
Other gains and losses			(6,088)
Finance income			10,638
Income tax expenses			(23,671)
Profit for the year			50,793

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

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

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

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5. REVENUE AND SEGMENT INFORMATION (continued)

The Group recognised revenue from customers individually represent over 10% of the Group's total revenue as follows:

	Year ended 31 December 2016 RMB'000	2015 RMB'000
Customer A	**88,844**	N/A
Customer B	**59,838**	53,302

The revenue is attributable to the Wisdom-Events and Sponsorship segment.

6. OTHER INCOME

	Year ended 31 December 2016 RMB'000	2015 RMB'000
Income from principal protected investments (Note a)	**6,992**	5,924
Interest income from long-term receivables	**417**	—
Government grants (Note b)	**20,395**	20,601
Rental income from investment property	**1,294**	278
Others	**6**	924
	29,104	27,727

Notes:

(a) The Group invested in unlisted treasury products issued by commercial banks in the PRC. The principals of these investments are guaranteed by the corresponding commercial banks. The investments are denominated in RMB and with maturity periods within three months. The rate of return are ranging from 2.0% to 3.9% per annum.

(b) The Group benefits from government grants in the form of tax refund from governmental bodies of Fuzhou, Jiangxi Province and Tianjin City as a result of their contribution for developing the cultural and media industry in the respective cities.

7. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Fair value gains on financial assets at FVTPL	**—**	1,330
Allowance for impairment of trade receivables (Note 22)	**(14,099)**	—
Allowance for impairment of other receivables (Note 23)	**(327)**	(4,100)
Exchange gains (losses)	**460**	(2,998)
Gain on disposal of a subsidiary (Note 34)	**28,000**	—
Loss on disposal of property, plant and equipment	**(603)**	—
Others	**(4,702)**	(320)
	8,729	(6,088)

8. FINANCE INCOME

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Interest income on short-term bank deposits	**4,269**	10,638

9. INCOME TAX EXPENSE

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Tax charge comprises:		
PRC corporate income tax		
— current year	**41,713**	22,704
— deferred tax (Note 21)	**—**	967
	41,713	23,671

(i) Cayman Islands profits tax

The Company is not subject to any taxation in the Cayman Islands.

9. INCOME TAX EXPENSE (continued)

(ii) Hong Kong profits tax

No Hong Kong profits tax has been provided, as the Group has no taxable profit earned or derived in Hong Kong for the year ended 31 December 2016 (2015: nil). The applicable Hong Kong profit tax rate is 16.5% for the year ended 31 December 2016 (2015: 16.5%).

(iii) PRC corporate income tax ("CIT")

CIT is provided on the assessable profits of entities within the Group established in the PRC. Pursuant to the PRC Corporate Income Tax Law (the "**New CIT Law**"), the CIT is unified at 25% for all types of entities, effective from 1 January 2008.

(iv) PRC withholding income tax

Pursuant to the PRC law on corporate income tax, 10% withholding income tax will be levied on foreign investors for dividend distributions 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.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the PRC corporate income tax rate as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Profit before income tax	**135,076**	74,464
Tax calculated at PRC corporate tax rates of 25% (2015: 25%)	**33,769**	18,616
Tax effects of:		
Share of profit of an associate	**(59)**	—
Share of profit of a joint venture	**(946)**	—
Expenses not deductible for tax purposes	**2,060**	1,907
Tax effect of tax losses not recognised	**3,283**	2,123
Tax effect of deductible temporary differences not recognised	**3,606**	1,025
Income tax expense	**41,713**	23,671

10. PROFIT FOR THE YEAR

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Profit for the year has been arrived at after charging:		
Staff costs, including directors' remuneration		
— salaries and other allowances	**35,582**	39,241
— retirement benefit scheme contributions	**10,091**	11,358
— share-based payments	**1,948**	1,797
Total staff costs	**47,621**	52,396
Operating lease rental expenses	**12,445**	12,918
Depreciation of property, plant and equipment	**3,568**	4,243
Amortisation of intangible assets	**637**	576
Depreciation of investment properties	**1,260**	1,260
Auditors' remuneration	**3,400**	4,000

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11. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS

Directors' and chief executives' emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

For the year ended 31 December 2016:

Name	Fees RMB'000	Salary RMB'000	Housing allowance RMB'000	Retirement benefits cost RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
Executive Directors						
Ms. Ren Wen	51	1,031	–	75	–	1,157
Mr. Sheng Jie (Note (1))	34	591	–	65	–	690
Mr. Zhang Han	51	981	–	61	–	1,093
Dr. Shen Wei	51	915	–	28	–	994
Mr. Song Hongfei (Note (2))	18	840	–	81	47	986
	205	4,358	–	310	47	4,920

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

Name	Fees RMB'000	Salary RMB'000	Housing allowance RMB'000	Retirement benefits cost RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
Non-executive Directors						
Mr. Xu Jiongwei	51	110	–	32	–	193
Mr. Jin Haitao	–	–	–	–	–	–
	51	110	–	32	–	193

11. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS (continued)

Directors' and chief executives' emoluments (continued)

The non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

For the year ended 31 December 2016: (continued)

Name	Fees RMB'000	Salary RMB'000	Housing allowance RMB'000	Retirement benefits cost RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
Independent non-executive Directors						
Mr. Wei Kevin Cheng	206	–	–	–	–	206
Mr. Ip Kwok On Sammy	51	–	–	–	–	51
Mr. Jin Guoqiang	51	–	–	–	–	51
	308	–	–	–	–	308
	564	4,468	–	342	47	5,421

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

11. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS (continued)

Directors' and chief executives' emoluments (continued)

For the year ended 31 December 2015:

Name	Fees RMB'000	Salary RMB'000	Housing allowance RMB'000	Retirement benefits cost RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
Executive Directors						
Ms. Ren Wen (Notes (3) and (4))	48	1,300	—	92	—	1,440
Mr. Sheng Jie	48	949	—	92	—	1,089
Mr. Zhang Han	48	949	—	92	—	1,089
Dr. Shen Wei (Note (3))	48	1,044	—	—	—	1,092
Mr. Hu Xing (Note (5))	18	902	566	—	—	1,486
	210	5,144	566	276	—	6,196

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

Name	Fees RMB'000	Salary RMB'000	Housing allowance RMB'000	Retirement benefits cost RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
Non-executive Directors						
Mr. Jin Haitao	—	—	—	—	—	—
Mr. Xu Jiongwei	48	—	—	—	—	48
	48	—	—	—	—	48

The non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

11. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS (continued)

Directors' and chief executives' emoluments (continued)

For the year ended 31 December 2015: (continued)

Name	Fees RMB'000	Salary RMB'000	Housing allowance RMB'000	Retirement benefits cost RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
Independent non-executive Directors						
Mr. Wei Kevin Cheng	192	–	–	–	–	192
Mr. Ip Kwok On Sammy	48	–	–	–	–	48
Mr. Jin Guoqiang	48	–	–	–	–	48
Mr. Hu Jianguo (Note (5))	18	–	–	–	–	18
	306	–	–	–	–	306
	564	5,144	566	276	–	6,550

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Notes:

(1) Mr. Sheng Jie was resigned on 26 August 2016.

(2) Mr. Song Hongfei was appointed as an executive director of the Company with effect from 26 August 2016.

(3) Dr. Shen Wei was appointed on 16 May 2014 as an executive director and appointed as chief executive on 24 March 2015 to replace Ms. Ren Wen.

(4) Ms. Ren Wen acted as chief executive as well as executive director prior to 24 March 2015.

(5) Mr. Hu Xing and Mr. Hu Jianguo were appointed as an executive director and an independent non-executive director respectively on 14 May 2015 and resigned on 18 September 2015.

Mr. Jin Haitao waived emoluments of RMB51,000 (equivalent to HK$60,000) for the year ended 31 December 2016 (2015: RMB48,000). Except for Mr. Jin Haitao, no other director waived or has agreed to waive any emoluments.

11. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS (continued)

Employees

The five individuals whose emoluments were the highest in the Group for the year included four (2015: four) directors whose emoluments are reflected in the analysis shown above. The emoluments of the remaining one (2015: one) individual during the year are as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Salaries and benefits in kind	**854**	922
Equity-settled share option expense	**–**	187
Retirement benefits	**–**	92
	854	1,201

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
Emolument bands (in HKD)		
Nil to HKD1,000,000	**1**	–
HKD1,000,001 to HKD2,000,000	**–**	1
	1	1

None of the five highest paid individuals waived or has agreed to waive any emoluments, and none of the five highest paid individuals received emoluments from the Group as inducement to join or upon joining the Group, or as compensation for loss of office.

There were no discretionary bonuses or employer's contribution to benefit scheme for year ended 31 December 2016 (2015: nil).

12. EARNINGS PER SHARE

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**93,363**	50,793

	Year ended 31 December	
	2016	2015
	'000	'000
Weighted average number of shares:		
Number of ordinary shares for the purpose of basic and diluted earnings per share	**1,609,045**	1,609,045

The computation of diluted earnings per share does 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 year ended 31 December 2016.

For the year ended 31 December 2015, the number of shares calculated that would have been issued assuming the exercise of the share options will not have a material impact on the weighted average number of shares and diluted earnings per share.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvement RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2015					
Cost	—	5,926	13,386	8,267	27,579
Accumulated depreciation	—	(2,586)	(9,709)	(3,549)	(15,844)
Net carrying amount	—	3,340	3,677	4,718	11,735
Year ended 31 December 2015					
Opening net carrying amount	—	3,340	3,677	4,718	11,735
Additions	—	—	1,259	2,064	3,323
Disposals	—	—	—	(200)	(200)
Depreciation charge	—	(1,216)	(1,298)	(1,729)	(4,243)
Closing net carrying amount	—	2,124	3,638	4,853	10,615
At 31 December 2015					
Cost	—	5,926	14,645	10,131	30,702
Accumulated depreciation	—	(3,802)	(11,007)	(5,278)	(20,087)
Net carrying amount	—	2,124	3,638	4,853	10,615
Year ended 31 December 2016					
Opening net carrying amount	**—**	**2,124**	**3,638**	**4,853**	**10,615**
Additions	**15,483**	**—**	**308**	**735**	**16,526**
Disposals	**—**	**—**	**(106)**	**(497)**	**(603)**
Depreciation charge	**(522)**	**(543)**	**(1,273)**	**(1,230)**	**(3,568)**
Closing net carrying amount	**14,961**	**1,581**	**2,567**	**3,861**	**22,970**
At 31 December 2016					
Cost	**15,483**	**5,926**	**14,057**	**9,606**	**45,072**
Accumulated depreciation	**(522)**	**(4,345)**	**(11,490)**	**(5,745)**	**(22,102)**
Net carrying amount	**14,961**	**1,581**	**2,567**	**3,861**	**22,970**

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The above property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	3.33%
Leasehold improvement	Over the relevant lease terms
Furniture, fixtures and equipment	20%–33.3%
Motor vehicles	20%–25%

14. INVESTMENT PROPERTY

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Opening net carrying amount	**20,732**	21,992
Depreciation charge	**(1,260)**	(1,260)
Closing net carrying amount	**19,472**	20,732
Cost	**28,283**	28,283
Accumulated depreciation	**(8,811)**	(7,551)
Net carrying amount	**19,472**	20,732

As at 31 December 2016, the Group had no un-provided contractual obligations for future repairs and maintenance (2015: nil).

An valuation of the Group's investment properties was performed by the Directors to determine the fair value of the investment properties as at 31 December 2016, amounted to RMB39,344,000. The valuation was determined using the sale comparison 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.

The above investment property is depreciated on a straight-line basis at 4.45% per annum.

15. GOODWILL

	RMB'000
COST AND CARRYING VALUES	
At 31 December 2015 and 31 December 2016	105

100% equity interest of Beijing Kuawei Lianzhong Sports Development Company Limited（北京跨維聯眾體育發展有限公司）("**Kuawei Lianzhong**") was acquired by Beijing Wisdom Media in May 2015 at a cash consideration of RMB1,650,000. On the acquisition date, the fair value of identifiable net assets of Kuawei Lianzhong was RMB1,545,000. The excess of the consideration over the fair value of the identifiable net assets of Kuawei Lianzhong is recorded as goodwill.

16. INTANGIBLE ASSETS

	Operating right RMB'000	Software and others RMB'000	Brand RMB'000	Total RMB'000
At 1 January 2015				
Cost	2,500	818	—	3,318
Accumulated amortisation	(750)	(494)	—	(1,244)
Net carrying amount	1,750	324	—	2,074
Year ended 31 December 2015				
Opening net carrying amount	1,750	324	—	2,074
Acquisition of a subsidiary	—	—	1,540	1,540
Additions	—	1,180	—	1,180
Amortisation charge	(250)	(223)	(103)	(576)
Closing net carrying amount	1,500	1,281	1,437	4,218
At 31 December 2015				
Cost	2,500	1,998	1,540	6,038
Accumulated amortisation	(1,000)	(717)	(103)	(1,820)
Net carrying amount	1,500	1,281	1,437	4,218
Year ended 31 December 2016				
Opening net carrying amount	**1,500**	**1,281**	**1,437**	**4,218**
Additions	**—**	**274**	**—**	**274**
Amortisation charge	**(250)**	**(233)**	**(154)**	**(637)**
Closing net carrying amount	**1,250**	**1,322**	**1,283**	**3,855**
At 31 December 2016				
Cost	**2,500**	**2,272**	**1,540**	**6,312**
Accumulated amortisation	**(1,250)**	**(950)**	**(257)**	**(2,457)**
Net carrying amount	**1,250**	**1,322**	**1,283**	**3,855**

16. INTANGIBLE ASSETS (continued)

All intangible assets have finite useful lives and are amortised on a straight-line basis over the following periods:

Operating right (Note)	10 years
Software and others	3.5 years–5 years
Brand	10 years

Note: Operating right is comprised of a ten-year exclusive operating right acquired by Beijing Wisdom Media relating to organisation, operation and promotion of China Classic Car Rally.

17. AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Unlisted investments:		
Wisdom Hongtu Cultural Investment Management Center (Limited Partnership) (Note a)	**30,000**	30,000
Beijing Coolplay Club Technology Co., Ltd. 北京酷玩部落科技有限公司 ("**Coolplay Club**") (Note b)	**6,000**	6,000
VRVIU Co., Ltd. 深圳威爾視覺傳媒有限公司 ("**VRVIU**") (Note c)	**3,000**	—
	39,000	36,000

Notes:

a. In October 2014, Beijing Wisdom Media, a wholly owned subsidiary of the Company, entered into a Limited Partnership Agreement with Shenzhen Capital Group Co., Ltd（深圳市創新投資集團有限公司）("**SCG**") and Hongtu Jingshan Investment Management Advisory (Beijing) Company Limited（紅土景山投資管理顧問(北京)有限公司）("**Hongtu Jingshan**"), whereas Beijing Wisdom Media committed to make a capital contribution of RMB75,000,000 for the joint establishment of Wisdom Hongtu Cultural Investment Management Center (Limited Partnership)（北京智美紅土文化投資管理中心(有限合夥)）, an investment fund in sports and cultural business, hereafter referred to as "Wisdom Hongtu Fund" or "the Fund", with SCG and Hongtu Jingshan. The total committed capital contribution from investors to the Fund is RMB155,000,000. Hongtu Jingshan is the General Partner and have the exclusive right and power to manage and operate the Fund. The Fund intends to invest in sports culture business, sports culture media and other sectors relating to sports culture, such as the internet and new media. As of 31 December 2016, Beijing Wisdom Media invested RMB30,000,000 (2015: RMB30,000,000) in the Fund, and the total committed capital contribution represents the Group's maximum risk exposure on the Fund.

17. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes: (continued)

Beijing Wisdom Media is a limited partner of the Fund, and has no influence power of the financial and operating decisions of the Fund, and therefore Beijing Wisdom Media has no significant influence over the Fund, and accordingly it is recognised as 'available-for-sale investments' which was measured at cost less any identified impairment losses at the end of the reporting period as the range of reasonable fair value estimates is so significant that the Directors are of the opinion that the fair value cannot be reliably measured.

b. On 23 June 2015, Beijing Wisdom Media entered into a capital increase framework contract with Nie Xuezhen, Kong Fei, Gu Shufeng and Zhang Xiaodong, who are the then shareholders of Coolplay Club, whereas Beijing Wisdom Media will make capital contribution into Coolplay Club. As of 31 December 2016, Beijing Wisdom Media paid the capital contribution amounting to RMB6,000,000 (2015: RMB6,000,000) to Coolplay Club and holds 7.5% equity interest in it. The investment is recognised as available-for-sale investments which were measured at cost less any identified impairment losses at the end of the reporting period as the range of reasonable fair value estimates is so significant that the Directors are of the opinion that the fair value cannot be reliably measured.

c. On 1 November 2016, Beijing Wisdom Media entered into a capital increase framework contract with Shenzhen Sunway Communication Co., Ltd.（深圳市信維通信有限公司）, Li Jinrong（李金榮）, QHFZ Capital Management Co., Ltd.（前海方舟資產管理有限公司）and Qhee Equity Investment Fund (Limited Partnership)（前海股權投資基金(有限合夥)）, who are the original shareholders of VRVIU, whereas Beijing Wisdom Media will make capital contribution into VRVIU.

As at 31 December 2016, Beijing Wisdom Media contributed RMB3,000,000 to VRVIU and holds 3% equity interest in VRVIU. As the Directors have the view that the Group has no intention to sell the investment in near future, the investment is recognised as available-for-sale investments which were measured at cost less any identified impairment losses at the end of the reporting period as the range of reasonable fair value estimates is so significant that the Directors are of the opinion that the fair value cannot be reliably measured.

18. LONG-TERM RECEIVABLES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Amount due from NBL Company (Note a)	**3,600**	—
CITICS treasury product (Note b)	**200,417**	—
	204,017	—

Notes:

a. ZMWH entered into an agreement in March 2016 with NBL Company to obtain the Exclusive Commercial Right from NBL Company at a total cash consideration of RMB140,000,000. Other terms in the agreement including (i) ZMWH is obliged to make a payment of RMB3.6 million (the "**Consideration**") and in return 20% equity interest in NBL Company is transferred to ZMWH; (ii) ZMWH has the right to appoint one out of five of the directors of NBL Company; (iii) ZMWH is not entitled to share any profits or losses and net assets of NBL Company; (iv) ZMWH has the priority right to extend the Exclusive Commercial Right upon expiry thereof; (v) ZMWH is not allowed to dispose of 20% the equity interest during the period of Exclusive Commercial Right; (vi) If ZMWH does not extend the Exclusive Commercial Right upon expiry in 2019, ZMWH should transfer back the 20% equity interest in NBL Company at a consideration of RMB3.6 million plus a compounded internal rate of return of 10% per annum. Based on the substance of the arrangement, the Directors consider the Group's investment in NBL Company possesses the economic characteristics and risks of a debt instrument rather than an equity instrument. Accordingly, the investment is accounted for as long-term receivable and subsequently measured at amortised cost with an effective interest rate of 10% per annum.

b. In November 2016, the Group purchased No. 9 Beneficiary certificates products (the "**Treasury Product**") (principal guaranteed fixed income beneficiary certificates) issued by CITICS with a duration from 24 November 2016 to 23 November 2018, which cannot be early redeemed in advance. The annualised rate of return is 2.5%. The interest income of RMB417,000 was recognised in 2016. The Directors considered the Treasury Product has fixed maturity, with principal guaranteed and is not traded in an active market. Accordingly, the Treasury Product is accounted for as long-term receivable and subsequently measured at amortised cost.

19. INTEREST IN AN ASSOCIATE

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Cost of unlisted investment in an associate	**5,600**	—
Share of post-acquisition profit and other comprehensive income	**235**	—
	5,835	—

19. INTEREST IN AN ASSOCIATE (continued)

Details of the Group's associate at the end of the reporting period are as follows:

Name of entity	Country of registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2016	2015	**2016**	2015	
Beijing Guotaiyink Technology co., Ltd ("**GTYK**")	PRC	PRC	**20%**	–	**20%**	–	Technology development

On 24 August 2016, Wisdom Culture, a wholly-owned subsidiary of the Company, entered into a capital injection agreement (the "**Agreement**") with GTYK and three individual shareholders of GTYK (the "**Founders**"), pursuant to which Wisdom Culture obtained a 20% equity interest in GTYK with a total consideration of RMR8,000,000. As at 31 December 2016, Wisdom Culture has invested RMB5,600,000 and the remaining capital contribution amounting to RMB2,400,000 was subsequently injected in March 2017. Immediately after the execution of the Agreement, the Founders and Wisdom Culture held 80% and 20% equity interest in GTYK, respectively. The Articles of Association specifies that at least two-third of the shareholding is required to approve for decision on directing the relevant activities of GTYK. As Wisdom Culture holds a 20% equity interest in GTYK, and has appointed one director out of four directors, the Group has significant influence, but not control over the financial and operating policy decisions of GTYK. Hence the Group's interest in GTYK is accounted for as an investment in an associate. The transaction was completed on 23 November 2016.

The Agreement specifies that Wisdom Culture has a right to request the Founders for cash or share compensation if GTYK's net income targets of 2016 to 2018 are not met and the Company measured the value of such right, with the assistance of an independent valuer, Avista Group, and the fair value of the right was considered insignificant as at the acquisition date and 31 December 2016.

In addition, the Agreement specifies that Wisdom Culture has an option to request the Founders to reacquire the shares if GTYK's net income target of 2016 is not met, which is an embedded put option in the agreement. The Company measured the value of such put option, with the assistance of an independent valuer, Avista Group, and the fair value of the option was considered insignificant as at the acquisition date and 31 December 2016.

Summarised financial information of the associate

Summarised financial information in respect of the associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associate is accounted for using the equity method in these consolidated financial statements.

19. INTEREST IN AN ASSOCIATE (continued)

Summarised financial information of the associate (continued)

GTYK

	As at 31 December 2016 RMB'000
Current assets	17,064
Non-current assets	9,584
Current liabilities	(2,005)

	From 23 November 2016 to 31 December 2016 RMB'000
Revenue	4,031
Profit and total comprehensive income for the period	1,175

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	As at 31 December 2016 RMB'000
Net assets of GTYK	24,643
Proportion of the Group's ownership interest in GTYK	20%
Goodwill	906
Carrying amount of the Group's interest in GTYK	5,835

20. INTEREST IN A JOINT VENTURE

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Cost of unlisted investment in a joint venture	**27,500**	—
Share of post-acquisition profit and other comprehensive Income	**3,786**	—
	31,286	—

Details of the Group's joint venture at the end of the reporting period are as follow:

Name of entity	Country of registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2016	2015	**2016**	2015	
Shenzhen SEG ZM Sports Culture Development Co., Ltd. ("**SEG ZM**")	PRC	PRC	**55%**	–	**55%**	–	Events Organisation and related service

On 7 April 2016, Wisdom Culture, a wholly-owned subsidiary of the Company, entered into the equity transfer agreement ("**ETA**") with Shenzhen ZM Sports Stadium Investment Co., Ltd. ("**SZZM**") and SEG Property Co., Ltd. ("**SEG**"), pursuant to which SZZM transferred 55% equity interest in SEG ZM to Wisdom Culture at RMB27,500,000 (the "**Transaction**"). SZZM is controlled by Ms. Ren Wen, a controlling shareholder of the Company. The Transaction was completed on 12 April 2016 (the "**Completion**"). Immediately after the Completion, SZZM, Wisdom Culture and SEG held 10%, 55% and 35% equity interests in SEG ZM, respectively. The Articles of Association specifies that at least two-third of the shareholding is required to approve for decision on directing the relevant activities of SEG ZM. Even though Wisdom Culture held a 55% equity interest in SEG ZM, based on the current shareholding structure, decisions about relevant activities require mutual consent of the Group and SEG and hence in the opinion of the Directors, the Group's interest in SEG ZM is accounted for as a joint venture.

20. INTEREST IN A JOINT VENTURE (continued)

Summarised financial information of the joint venture

Summarised financial information in respect of the joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint venture is accounted for using the equity method in these consolidated financial statements.

SEG ZM

	As at 31 December 2016 RMB'000
Current assets	**64,903**
Non-current assets	**156**
Current liabilities	**(8,176)**

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	63,108
Current financial liabilities (excluding trade and other payables and provisions)	687

20. INTEREST IN A JOINT VENTURE (continued)

Summarised financial information of the joint venture (continued)

SEG ZM (continued)

	From 12 April 2016 to 31 December 2016 RMB'000
Revenue	**23,745**
Profit and total comprehensive income for the period	**6,883**

The above profit for the period include the following:

Depreciation and amortisation	9
Interest income	394
Income tax expense	2,389

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	As at 31 December 2016 RMB'000
Net assets of SEG ZM	**56,883**
Proportion of the Group's ownership interest in SEG ZM	**55%**
Carrying amount of the Group's interest in SEG ZM	**31,286**

21. DEFERRED TAX

The following are the major deferred tax assets recognised by the Group and movement thereon during the current and prior year:

	Accrual for employee payroll RMB'000
At 1 January 2015	967
Charge to profit or loss	(967)
At 31 December 2015 and 2016	—

At the end of the reporting period, the Group has unused tax losses of RMB21,141,000 (31 December 2015: RMB8,009,000)) available for offset against future profits. No deferred tax asset has been recognised in respect of tax loss of RMB21,141,000 (31 December 2015: RMB8,009,000) due to the unpredictability of future profit streams. Tax losses of RMB6,343,000 will expire in various year before 2021 (31 December 2015: RMB152,000) and the remaining tax losses will be carried forward indefinitely.

As at 31 December 2016, no deferred tax asset has been recognised on deductible temporary differences of RMB18,526,000 (31 December 2015: RMB4,100,000) due to the unpredictability of future profit streams.

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 RMB793,776,000 (31 December 2015: RMB648,560,000) 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.

22. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Trade receivables (a)	233,186	297,489
Bills receivables (b)	–	37,382
Less: allowance for impairment of trade receivables	(14,099)	–
	219,087	334,871

The Group allows an average credit period of 180 days to its trade customers.

(a) The following is an aged analysis of trade receivables, net of allowance for doubtful debts presented based on the revenue recognition dates.

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Within 1 month	89,213	70,467
1 to 3 months	42,475	79,792
4 to 6 months	36,652	12,982
7 to 12 months	7,483	104,493
1 to 2 years	39,264	21,063
Over 2 years	4,000	8,692
	219,087	297,489

As at 31 December 2016, receivables of RMB14,099,000 (2015: nil) were impaired. The maximum exposure to credit risk at the reporting date is the carrying value of the receivables mentioned above.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB50,747,000 (2015: RMB134,248,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

22. TRADE AND BILLS RECEIVABLES (continued)

(a) The following is an aged analysis of trade receivables, net of allowance for doubtful debts presented based on the trade dates. (continued)

Ageing of trade receivables which are past due but not impaired

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Within 1 month	**7,483**	72,020
1 to 3 months	**—**	—
4 to 6 months	**—**	32,473
7 to 12 months	**39,264**	21,063
1 to 2 years	**4,000**	5,283
Over 2 years	**—**	3,409
	50,747	134,248

Movement in the allowance for doubtful debts

	2016	2015
	RMB'000	RMB'000
1 January	**—**	—
Impairment losses recognised on trade receivables	**14,099**	—
31 December	**14,099**	—

The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations. Amounts charged to the allowance account are generally written back when there is evidence of recovering additional cash.

(b) All the bills receivable with original term are due in 6 months.

The carrying amounts of trade and bills receivables are all denominated in RMB.

23. OTHER RECEIVABLES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Government grants receivables	**25,668**	36,349
Deposits with media companies and event organisation companies	**78,997**	66,723
Advance to employees	**1,652**	7,574
Lease and other deposits	**6,551**	3,519
Interest receivable	**—**	88
Consideration receivable for disposal of a subsidiary (Note 34)	**26,600**	—
Amount due from TYCG (defined in Note 34)	**9,218**	—
Amounts due from related companies (Note 39)	**10,077**	—
Others	**4,169**	2,112
Less: allowance for impairment of other receivables	**(4,427)**	(4,100)
	158,505	112,265
Less: non-current portion	**(51,052)**	—
Current portion	**107,453**	112,265

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

As at 31 December 2016, other receivables of RMB4,427,000 (2015: RMB4,100,000) were impaired. The individually impaired receivables related to media companies, which are in difficult financial situation. It was assessed that the receivables is not expected to be recovered.

24. PREPAYMENTS AND OTHER CURRENT ASSETS

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Prepayment for media resources	**76,067**	81,206
Prepayment for sport competition and event organisation expenses	**21,304**	5,890
Prepaid lease and property management fees	**5,497**	5,274
Value-added tax credit	**14,047**	5,049
Others	**3,026**	1,972
	119,941	99,391

The carrying amounts of the prepayments are all denominated in RMB.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Investment in HuaAn Fund	**–**	6,563

The above financial assets are the investments in HuaAn Fund, whose portfolio investments are traded in secondary market.

Changes in fair values of financial assets at fair value through profit or loss are recorded in other gains and losses in the consolidated statement of comprehensive income.

The Group redeemed all investment in HuaAn Fund in 2016 and received RMB6,563,000, therefore no profit or loss was recognised in 2016.

26. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Cash on hand	**141**	194
Bank balances	**524,309**	522,065
Cash and cash equivalents	**524,450**	522,259

Bank balances carry interest at market rates which range from 0.35% to 0.42% (31 December 2015: 0.35% to 0.42%) per annum.

27. SHARE CAPITAL

Ordinary shares of US$0.00025 each	Number of shares '000	Amount US$'000	Amount shown in the financial statements RMB'000
Authorised			
At 1 January 2015, 31 December 2015 and 2016	4,000,000	1,000	
Issued and fully paid			
At 1 January 2015, 31 December 2015 and 2016	1,609,045	402	2,479

28. SHARE PREMIUM AND RESERVES

Share Premium

	Total
	RMB'000
At 1 January 2015	486,993
Dividends recognised as distribution	(149,641)
At 31 December 2015 and 2016	**337,352**

28. SHARE PREMIUM AND RESERVES (continued)

Share Premium (continued)

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.

Reserves

	Statutory reserves RMB'000	Other reserves RMB'000	Share-based payments reserves RMB'000	Total RMB'000
At 1 January 2015	39,372	81,902	539	121,813
Statutory reserves appropriation	192	—	—	192
Share-based payments (Note 29)	—	—	1,797	1,797
At 31 December 2015	39,564	81,902	2,336	123,802
Statutory reserves appropriation	**176**	**—**	**—**	**176**
Share-based payments (Note 29)	**—**	**—**	**1,948**	**1,948**
At 31 December 2016	**39,740**	**81,902**	**4,284**	**125,926**

Note: 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.

29. SHARE-BASED PAYMENTS

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 wording 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 of 31 December 2016, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 2,145,000 (31 December 2015: 2,960,000), representing approximately 0.1% (31 December 2015: approximately 0.2%) 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 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.

29. SHARE-BASED PAYMENTS (continued)

Details of specific categories of options are as follows:

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

The movement of the share options granted of the Group during the year ended 31 December 2016 are as follows:

Option type	Outstanding at 1.1.2016	Reclassification	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31.12.2016
Executive directors:							
Song Hongfei	–	215,000	–	–	–	–	215,000
Employees	560,000	(215,000)	–	–	(115,000)	–	230,000
Option 1	560,000	–	–	–	(115,000)	–	445,000
Employees	2,400,000	–	–	–	(700,000)	–	1,700,000
Option 2	2,400,000	–	–	–	(700,000)	–	1,700,000
	2,960,000	–	–	–	(815,000)	–	2,145,000
Exercisable at the end of the year							676,250
Weighted average exercise price	HK$7.26	–	–	–	HK$7.46	–	HK$7.19

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29. SHARE-BASED PAYMENTS (continued)

The movement of the share options granted of the Group during the year ended 31 December 2015 are as follows:

Option type	Outstanding at 1.1.2015	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31.12.2015
Employees	1,210,000	–	–	(650,000)	–	560,000
Option 1	1,210,000	–	–	(650,000)	–	560,000
Employees	–	2,500,000	–	(100,000)	–	2,400,000
Option 2	–	2,500,000	–	(100,000)	–	2,400,000
	1,210,000	2,500,000	–	(750,000)	–	2,960,000
Exercisable at the end of the year						140,000
Weighted average exercise price	HK$3.92	HK$8.04	–	HK$4.47	–	HK$7.26

During the year ended 31 December 2016, no options were granted.

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

29. SHARE-BASED PAYMENTS (continued)

The fair values of the option 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	1.26%
Expected dividend yield	—

The Group recognised the total expense of RMB1,948,000 for the year ended 31 December 2016 (2015: RMB1,797,000) in relation to share options granted by the Company.

30. RETIREMENT BENEFIT PLANS

The employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

31. TRADE PAYABLES

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

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Within 1 month	**65,011**	16,957
1 to 3 months	**9,995**	15,984
4 to 6 months	**16,908**	139
7 to 12 months	**13,486**	—
Over 12 months	**7,885**	852
	113,285	33,932

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

RMB4,000,000 of amount due to an associate was included in trade payables (Note 39).

32. OTHER PAYABLES AND ACCRUED EXPENSES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Salary and welfare payables	**6,069**	6,344
Audit service fee	**4,477**	3,160
Non-audit service fee	**2,695**	1,495
Other tax payables	**139**	1,069
Others	**6,019**	3,376
	19,399	15,444

33. CASH GENERATED FROM OPERATIONS

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Profit before income tax	**135,076**	74,464
Adjustments for:		
— Depreciation on property, plant and equipment and investment property	**4,828**	5,503
— Amortisation of intangible assets	**637**	576
— Allowance for impairment of trade and bills receivables	**14,099**	4,100
— Allowance for impairment of other receivables	**327**	—
— Share-based payment expenses	**1,948**	1,797
— Finance income	**(4,269)**	(10,600)
— Share of profit of an associate	**(235)**	—
— Share of profit of a joint venture	**(3,786)**	—
— Loss on disposal of property, plant and equipment	**603**	—
— Gain on disposal of a subsidiary	**(28,000)**	—
— Gain on disposal of other financial assets	**(6,992)**	(5,924)
— Interest income from long-term receivables	**(417)**	—
— Fair value changes on financial assets at fair value through profit or loss	**—**	(1,330)
— Exchange (gains) losses	**(460)**	2,998
Changes in working capital:		
— Decrease (increase) in trade and bills receivables	**101,685**	(24,146)
— Increase in prepayments and other current assets	**(20,550)**	(11,262)
— (Increase) decrease in other receivables	**(9,890)**	10,372
— Decrease in financial assets at FVTPL	**6,563**	150,000
— Increase in trade payables	**79,353**	19,367
— Increase (decrease) in other payables and accrued expenses	**3,955**	(7,582)
— Decrease in advance from customers	**(81)**	(7,866)
Cash generated from operations	**274,394**	200,467

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34. DISPOSAL OF A SUBSIDIARY

Disposal of Wisdom Sports Arena Operation (Shenzhen) Co., Ltd. （智美體育場館運營（深圳）有限公司） ("TYCG")

In December 2016, the Group entered into a share transfer agreement to dispose of 100% equity interests of a subsidiary, TYCG, which was expected to carry out sport stadium operation business. The disposal was effected in order to generate cash flows for the expansion of the Group's other business.

The disposal was completed on 29 December 2016. The net assets of TYCG at the date of disposal were as follows:

Consideration received

	RMB'000
Cash received	11,400
Consideration receivable	26,600
	38,000

Consideration receivable amounting to RMB26,600,000 as at 31 December 2016 was received in March 2017.

Analysis of assets and liabilities over which control was lost

	29 December 2016 RMB'000
Current assets	
Other receivables	586
Bank balance	10,000
Non-current assets	
Prepayments for rental lease	8,818
Current liabilities	
Other payables and accrued expenses	186
Amount due to the Group (Note 23)	9,218
Net assets disposed of	10,000

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34. DISPOSAL OF A SUBSIDIARY (continued)

Gain on disposal of a subsidiary

	RMB'000
Consideration received and receivable	38,000
Net assets disposed of	(10,000)
Gain on disposal	28,000

Net cash inflow on disposal of a subsidiary

	RMB'000
Cash received	11,400
Less: Bank balance and cash disposed of	(10,000)
	1,400

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The Directors review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

36. FINANCIAL INSTRUMENTS

Categories of financial instruments

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Financial assets		
Financial assets at FVTPL	**–**	6,563
Loans and receivables (including cash and cash equivalents)	**1,102,042**	969,395
Available-for-sale investment	**39,000**	36,000
Financial liabilities		
Amortised cost	**126,476**	41,963

Financial risk management objectives and polices

The Group's major financial instruments include available-for-sale investments, long-term receivables FVTPL, cash and cash equivalents, trade and bills receivables, other receivables and trade and other payables. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. These risks include market risk (currency risk, interest rate risk), credit risk and liquidity risk.

Market risk

(i) *Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to variable-rate cash and cash equivalents (see Note 26). No sensitivity is presented for variable-rate cash in bank as the director considered that the interest rate fluctuation is minimal.

(ii) *Currency risk*

The Group has cash in bank which expose the Group to risk in HKD and USD. No sensitivity is presented as the director considered that the exposure to exchange rates of HKD and USD against RMB is insignificant.

36. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and polices (continued)

Credit risk

As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on liquid funds and a long-term receivable which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade and bills receivables and other receivables consist of a large number of customers, spread across diverse industries and geographical areas.

Liquidity risk

Cash flow forecasting is performed by the Group's finance department, which monitors rolling forecasts of the Group's liquidity requirements to ensure sufficient cash to meet the Group's operating needs while maintaining sufficient headroom at all times. Such forecasting takes into consideration the Group's payables, commitments and other potential cash outflows.

36. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and polices (continued)

Liquidity risk *(continued)*

The tables below analyse the Group's financial liabilities by relevant maturity groupings based on the remaining period at the end of respective reporting periods to the contractual maturing dates. The amount disclosed in the table are the contractual undiscounted cash flow:

	Less than 1 year RMB'000
At 31 December 2016	
Trade payables	**113,285**
Other payables	**13,191**
Total	**126,476**
At 31 December 2015	
Trade payables	33,932
Other payables	8,031
Total	41,963

Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets and financial liabilities are determined (in particular, the valuation technique and inputs used).

36. FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial instruments (continued)

(i) ***Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis*** *(continued)*

Fair value hierarchy as at 31 December 2016

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL (Note 25)	–	–	–	–

Fair value hierarchy as at 31 December 2015

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL (Note 25)	–	6,563	–	6,563

Financial assets	Fair value as at 31 December 2016	31 December 2015	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input(s)
Financial assets at FVTPL (Note 26)	–	6,563	Level 2	Net assets' value of its investments based on the quoted price in secondary market.	N/A

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

37. DIVIDENDS

No dividend in respect of the year ended 31 December 2016 and 2015 is to be proposed at the annual general meeting in 2017 and 2016, respectively.

38. COMMITMENTS

(a) Operating lease commitments

The Group leases various offices under non-cancellable operating lease agreements. The lease terms are between 1 and 3 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Within one year	**8,232**	9,973
In the second to fifth years, inclusive	**13,292**	767
	21,524	10,740

(b) Strategic cooperation agreements with sports related organisation commitments

The Group entered into various strategic cooperation agreements with sports related organisations of fourteen provinces and cities in 2016. Pursuant to the terms of the strategic cooperation agreements, the Group has been granted the exclusive rights to organise all the social sports competitions organised and operated by the above organisations.

According to the strategic cooperation agreements, the future committed payments are as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Within one year	**10,900**	14,400
In the second to fifth years, inclusive	**11,933**	26,800
	22,833	41,200

38. COMMITMENTS (continued)

(c) As described in Note 18, ZMWH obtained the Exclusive Commercial Right without from NBL Company in March 2016. The future committed payments are as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Within one year	**35,000**	—
In the second to fifth years, inclusive	**70,000**	—
	105,000	—

(d) **Investment commitments**

As described in Note 17, Beijing Wisdom Media is committed to make a capital contribution of RMB75,000,000 to Wisdom Hongtu Fund. As of 31 December 2016, Beijing Wisdom Media contributed RMB30,000,000 to the Fund, the commitment to the remaining contribution payment is amounted to RMB45,000,000.

39. RELATED PARTY TRANSACTIONS

(a) Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. The parent company of the Company is Queen Media Co., Ltd., a company which was incorporated in British Virgin Islands. The ultimate controlling shareholder of the Company is Ms. Ren Wen.

39. RELATED PARTY TRANSACTIONS (continued)

(b) The Group has the following related party transactions and balances during the year:

(1) Related party transactions

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Investment — Equity interest in SEG ZM		
— SZZM Company (Note i)	**27,500**	—
Purchase — Exclusive Commercial Right expense		
— NBL Company (Note ii)	**33,980**	—
Purchase — service fee		
— GTYK (Note iii)	**400**	—
Purchase — Sports equipment		
— Shenzhen Wisdom Sports		
Technology Limited ("**SZWS**") (Note iv)	**2,012**	—

(2) Related party balances

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Trade payable to GTYK (Note iii)	**4,000**	—

39. RELATED PARTY TRANSACTIONS (continued)

(b) The Group has the following related party transactions and balances during the year: (continued)

(2) ***Related party balances*** *(continued)*

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Advance to SZWS (Note iv)	**4,477**	—
Advance to SEG ZM (Note v)	**5,600**	—
	10,077	—

Notes:

i. In April 2016, Wisdom Culture entered into an ETA with SZZM and SEG, pursuant to which SZZM transferred a 55% equity interest in SEG ZM to Wisdom Culture at a consideration of RMB27,500,000. Ms. Ren Wen indirectly holds the controlling shareholding interest in SZZM. Details are set out in Note 20.

ii. ZMWH, a wholly-owned subsidiary of the Company, entered into an agreement with NBL Company to obtain the exclusive commercial right of 2016–2019 NBL Exclusive Commercial Right. The Group has the right to appoint one out of five of the directors of NBL Company. Details are set out in Note 18. The Exclusive Commercial Right expense in 2016 is RMB33,980,000, of which RMB14,589,000 was included in the trade payables as of 31 December 2016.

iii. In 2016, GTYK provided technology development services to the Group. As detailed in Note 19, GTYK became an associate of the Group on 23 November 2016. The service fee for the year ended 31 December 2016 was RMB4,096,000, and RMB400,000 was incurred after GTYK became an associate of the Group. RMB4,000,000 was included in the trade payables as at 31 December 2016.

iv. Ms. Ren Wen indirectly holds the controlling shareholding interest in SZWS. In 2016, the Group purchased sports equipment from SZWS, and the consideration for the year ended 31 December 2016 was at RMB2,102,000. The advance to SZWS is unsecured, interest-free and repayable on demand.

v. The advance to SEG ZM is unsecured, interest-free and repayable on demand

39. RELATED PARTY TRANSACTIONS (continued)

(c) The major transaction with related parties is related to key management personnel compensation as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Directors' fees	**564**	564
Salaries and allowances	**5,783**	7,663
Social welfare	**365**	507
Share-based payments	**47**	298
	6,759	9,032

Key management personnel were determined to be the executive directors, vice president and chief financial officer of the Group.

40. EVENTS AFTER THE REPORTING PERIOD

a. On 10 February 2017, Shenzhen Wisdom Sports Business Co., Ltd. ("**SZWSB**"), an indirectly wholly-owned subsidiary of the Company, has entered into an Equity Transfer Agreement ("**Transfer Agreement**") with Shenzhen Zhongke Dingtai Business Investment Partnership (LLP) ("**ZKDT**"), a subsidiary of Suzhou Hesheng Special Material Co., Ltd. (蘇州禾盛新型材料股份有限公司), a PRC company whose stocks are traded in the Shenzhen Stock Exchange. Pursuant to the Transfer Agreement, SZWSB has conditionally agreed to sell and ZKDT has conditionally agreed to acquire a wholly owned subsidiary of the Company that owns the Exclusive Commercial Right at the consideration of RMB116,000,000. The completion shall take place upon certain conditions including industrial and commercial registration of the transfer, full payment of consideration and other conditions as agreed by both parties.

b. On 7 January 2017, Jiangxi Wisdom Sports, a wholly owned subsidiary of the Company, entered into a Limited Partnership Agreement with Shenzhen Zhongke Guofu Yuansheng Equity Investment Management Partnership (LLP) (深圳市中科國富源盛股權投資管理合夥企業(有限合夥)) ("**ZKGF**"), whereas Jiangxi Wisdom Sports committed to make a capital contribution of RMB50,000,000 into the ZKGF and fully paid in January 2017. Jiangxi Wisdom Sports is a Limited Partner and has no influence power of the financial and operating decisions of the ZKGF.

41. SUBSIDIARIES

Particulars of the Group's subsidiaries at 31 December 2016 and 2015 are set out as follows:

Company name	Place and date of incorporation/ registration/kind of legal entity	Nominal value of issued ordinary share/paid-up capital	Attributable equity interest 2016	2015	Principal activities/Place of operation
Directly held by the Company					
Torch Media Co., Ltd.	BVI/2 April 2012/Limited liability company	US$1	100%	100%	Investment holding/BVI
Indirectly held by the Company					
Auto Culture Group Holdings Limited	Hong Kong/23 April 2012/ Limited liability company	HK$1	100%	100%	Investment holding/ Hong Kong
Chinese Campus Football League Development Limited	Hong Kong/ 24 December 2014/ Limited liability company	HK$1	100%	100%	Event organisation and related services/ Hong Kong
Chinese Football League Development Limited	Hong Kong/ 24 December 2014/ Limited liability company	HK$1	100%	100%	Event organisation and related services/ Hong Kong
Asia-Pacific Championship Limited	Hong Kong/ 24 October 2016/ Limited liability company	HK$1	100%	100%	Event organisation and related services/ Hong Kong
Beijing Wisdom Culture Co., Ltd (Note (ii))	PRC/6 July 2012/ Limited liability company	US$500,000	100%	100%	Investment holding/PRC
Wisdom Sports Development (Zhejiang) Co., Ltd (Note (ii))	PRC/14 April 2016/ Limited liability company	RMB290,000,000	100%	100%	Event organisation and related services/PRC
Shenzhen Wisdom Sports Industry Co., Ltd (Note (ii))	PRC/1 November 2016/ Limited liability company	RMB50,000,000	100%	100%	Event organisation and related services/PRC
Wisdom Sports Development (Shenzhen) Co., Ltd (Note (ii))	PRC/3 November 2016/ Limited liability company	RMB50,000,000	100%	100%	Event organisation and related services/PRC

41. SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ registration/kind of legal entity	Nominal value of issued ordinary share/paid-up capital	Attributable equity interest 2016	2015	Principal activities/Place of operation
Wisdom Events Operation and Management (Zhejiang) Co., Ltd (Note (ii))	PRC/10 December 2013/ Limited liability company	RMB290,000,000	100%	100%	Event organisation and related services/PRC
Beijing Wisdom Media Holding Co., Limited (Note (i)) (Note (ii))	PRC/26 December 2006/ Limited liability company	RMB60,000,000	100%	100%	Program production and related services/PRC
Zhejiang Wisdom Sports Culture Co., Ltd (Note (ii))	PRC/3 August 2012/ Limited liability company	RMB10,000,000	100%	100%	Event organisation and related services/PRC
Zhejiang Wisdom Car Culture Advertising Co., Ltd. (Note (ii))	PRC/3 August 2012/ Limited liability company	RMB10,000,000	100%	100%	Advertising and related services/PRC
Zhejiang Wisdom Advertising Co., Ltd (Note (ii))	PRC/3 April 2013/ Limited liability company	RMB10,000,000	100%	100%	Advertising and related services/ PRC
Tianjin Wisdom Sports Stadium Co., Ltd. (Note (ii))	PRC/8 July 2014/ Limited liability company	RMB3,000,000	100%	100%	Event organisation and related service/PRC
Beijing Widsom Huaxiang Advertising Co., Ltd (Note (ii))	PRC/28 February 2014/ Limited liability company	RMB3,000,000	100%	100%	Advertising and related services/PRC
Shenzhen SEG Widsom Sports Culture Development Co., Ltd (Note (ii))	PRC/28 December 2015/ Limited liability company	RMB50,000,000	100%	100%	Events organisation and related service/PRC
Beijing Wisdom Dongren Sports Entertainment Co., Ltd (Note (ii))	PRC/28 February 2014/ Limited liability company	RMB3,000,000	100%	100%	Advertising and related services/PRC
Tianjin Wisdom Huafu Advertising Co.,Ltd (Note (ii))	PRC/13 March 2014/ Limited liability company	RMB3,000,000	100%	100%	Advertising and related services/PRC

41. SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ registration/kind of legal entity	Nominal value of issued ordinary share/paid-up capital	Attributable equity interest 2016	2015	Principal activities/Place of operation
Tianjin Wisdom Season Run Co., Ltd (Note (ii))	PRC/17 March 2014/ Limited liability company	RMB3,000,000	**100%**	100%	Advertising and related services/
Shenzhen Wisdom Sports Stadium Operating Co., Ltd (Note (ii))	PRC/14 November 2016/ Limited liability company	RMB10,000,000	**100%**	100%	Event organisation and related service/PRC
Shenzhen Wisdom Basketball Industry Co., Ltd (Note (ii))	PRC/11 November 2016/ Limited liability company	RMB20,000,000	**100%**	100%	Event organisation and related service/PRC
Jiangxi Wisdom Sports Culture Co., Ltd (Note (ii))	PRC/24 March 2014/ Limited liability company	RMB3,000,000	**100%**	100%	Advertising and related services/PRC
Beijing Dongle Travel Agency Co., Ltd (Note (ii))	PRC/25 February 2015/ Limited liability company	RMB300,000	**100%**	100%	Event organisation and related services/PRC
Beijing Dongle Sports Service Co., Ltd (Note (ii))	PRC/28 May 2015/ Limited liability company	RMB3,000,000	**100%**	100%	Event organisation and related services/PRC
Xinjiang Wisdom Sports Culture Co., Ltd (Note (ii))	PRC/31 August 2015/ Limited liability company	RMB5,000,000	**100%**	100%	Event organisation and related services/PRC
Jiangxi Wisdom Advertising Co., Ltd (Note (ii))	PRC/23 October 2015/ Limited liability company	RMB3,000,000	**100%**	100%	Advertising and related services/PRC
Xinjiang Wisdom Advertising Co., Ltd (Note (ii))	PRC/26 October 2015/ Limited liability company	RMB5,000,000	**100%**	100%	Advertising and related services/PRC
Beijing Wisdom Shengyuan Sports Culture Co., Ltd (Note (ii))	PRC/3 December 2015/ Limited liability company	RMB1,000,000	**100%**	100%	Event organisation and related services/PRC

41. SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ registration/kind of legal entity	Nominal value of issued ordinary share/paid-up capital	Attributable equity interest 2016	2015	Principal activities/Place of operation
Beijing Wisdom Sports Culture Co., Ltd (Note (ii))	PRC/4 December 2015/ Limited liability company	RMB1,000,000	100%	100%	Event organisation and related services/PRC
Guangzhou Huafu Culture Co., Ltd (Note (ii))	PRC/14 December 2015/ Limited liability company	RMB5,000,000	100%	100%	Advertising and related services/PRC
Subsidiaries of Beijing Wisdom Media Holding Co., Limited:					
Beijing Car Culture Advertising Co., Ltd (Note (i)) (Note (ii))	PRC/25 August 2010/ Limited liability company	RMB5,000,000	100%	100%	Advertising and related services/PRC
Beijing Xinchuang Branding Co., Ltd. (Note (i)) (Note (ii))	PRC/25 January 2011/ Limited liability company	RMB1,000,000	100%	100%	Advertising and related services/PRC
Beijing Wisdom Films Culture Media Co., Ltd. (Note (i)) (Note (ii))	PRC/28 February 2014/ Limited liability company	RMB3,000,000	100%	100%	Advertising and related services/PRC
Beijing Kuawei Lianzhong Sports Development Company Limited (Note (i)) (Note (ii)) (Note (iii))	PRC/18 April 2011/ Limited liability company	RMB300,000	100%	100%	Event organisation and related services/PRC

Notes:

(i) These companies are under the Structured Contracts, for details please refer to Note 4.

(ii) 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.

42. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Interests in subsidiaries	**301,957**	294,108
	301,957	294,108
Current assets		
Other receivables	**1,312**	201
Prepayment	**2,521**	423
Financial assets at fair value through profit or loss	**—**	6,563
Cash and cash equivalents	**32,316**	37,113
	36,149	44,300
Total assets	**338,106**	338,408
EQUITY		
Share capital	**2,479**	2,479
Share premium	**337,352**	337,352
Reserves (Note)	**4,284**	2,336
Accumulated deficit (Note)	**(9,217)**	(5,849)
Total equity	**334,898**	336,318
LIABILITIES		
Current liabilities		
Other payables and accrued expense	**3,208**	2,090
Total liabilities	**3,208**	2,090
Total equity and liabilities	**338,106**	338,408

Note: Movement in the Company's reserve and accumulated deficit

42. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

	Share-based payments reserves RMB'000	Accumulated deficit RMB'000	Total RMB'000
At 1 January 2015	539	1,946	2,485
Loss and total comprehensive expense for the year	—	(7,795)	(7,795)
Share-based payments	1,797	—	1,797
At 31 December 2015	2,336	(5,849)	(3,513)
Loss and total comprehensive expense for the year	**—**	**(3,368)**	**(3,368)**
Share-based payments	**1,948**	**—**	**1,948**
At 31 December 2016	**4,284**	**(9,217)**	**(4,933)**

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				
Comparison of	**2016**	2015	2014	2013	2012
Key Financial Figures	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**480,910**	681,429	804,301	694,308	557,213
Cost	**(307,617)**	(499,574)	(430,207)	(351,481)	(340,250)
Gross Profit	**173,293**	181,855	374,094	342,827	216,963
Profit before income tax	**135,076**	74,464	370,598	311,229	177,804
Profit attributable to the owners of the Company	**93,363**	50,793	277,994	231,513	131,900
Total assets	**1,348,523**	1,160,263	1,329,883	1,205,214	370,592
Total liabilities	**151,043**	58,094	130,663	134,886	87,653

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