WISDOM

WISDOM SPORTS GROUP
智美體育集團

Stock Code:1661

(Incorporated in the Cayman Islands with limited liability)

2017 ANNUAL REPORT

为健康
为快乐

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Corporate Information

EXECUTIVE DIRECTORS

Ms. Ren Wen *(Chairlady and President)*
Mr. Zhang Han *(Vice Chairman)*
Mr. Song Hongfei
Ms. Hao Bin

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Ms. Hao Bin
Ms. Kam Mei Ha Wendy

AUTHORISED REPRESENTATIVES

Ms. Hao Bin
Ms. Kam Mei Ha Wendy

COMPANY'S REGISTERED OFFICE

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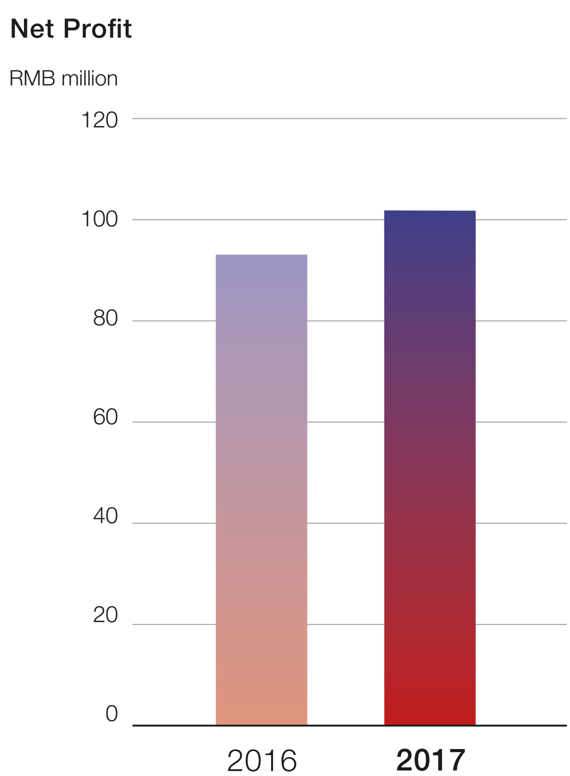
Financial Highlights

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 2017 together with the comparative figures for the previous year.

The highlights are as follows:

- Net profit attributable to owners of the Group increased by approximately 8.8% to RMB101.6 million for the year ended 31 December 2017 from RMB93.4 million for the year ended 31 December 2016.

- The Board has proposed a payment of final dividend of RMB0.062 per share for the year ended 31 December 2017 to the shareholders. Subject to the approval by the shareholders at the annual general meeting (the "**AGM**") of the Company to be held on Tuesday, 29 May 2018, the proposed final dividend is expected to be paid on Friday, 15 June 2018 to shareholders, whose names appear on the register of members of the Company on Wednesday, 6 June 2018, in Hong Kong dollars at the spot rate published by The People's Bank of China on 6 June 2018.



Chairlady's Statement

Dear Shareholders,

First of all, thank you for your accompanying us all along our journey to the fifth year since the listing of Wisdom Sports Group. 2017 was the last year of the 2015-2017 strategic transformation of Wisdom Sports. Over the three years, Wisdom Sports has successfully completed its transformation and has become a genuine sports company. It has also successfully completed the establishment of a business system covering the whole industrial chain of running and developed a closed-loop industrial chain that truly caters to the prevailing market development and environment of the sports industry in the PRC, which has laid a solid foundation for the large-scale development starting from 2018.

During the past year, we have successfully organised events under the "Running in China" marathon series, the first national-level IP in the running industry in the PRC. "Running in China" marathon series, a top-level IP event jointly hosted by the China Central Television (CCTV) and the Chinese Athletic Association, was organised by Wisdom Sports on an exclusive basis. The IP event marks the beginning of era 2.0 of the Chinese marathon industry and we are proud to be a pioneer in leading the industry into era 2.0. In 2017, the "Running in China" series consisted of two main themes, namely the "Red Journey" and "Reform and Opening-Up", with marathon events held in 16 cities, fully demonstrating the "Four Consciousness" and "Four Confidence" of Chinese people in four aspects through the promotion of the two main themes, which was in full compliance with the requirement of the promotion of the main theme of the country and the implementation of the national development strategy in respect of national fitness. Accordingly, the "Running in China" marathon series has received wide recognition from competent government departments at different levels and has become a model event for the integrated development of sports and culture that integrates political and economic conditions with very promising prospects.

Certainly, the outstanding results of the "Running in China" marathon series in 2017 would not have been possible without our strong emphasis on the quality and standards of events. In the events organised in 2017, the Group has upgraded the services provided for runners and its marketing services. It further enhanced the experience of runners by comprehensively considering the requirements of participants before and after the event and formulating all-rounded pre- and post-event services based on the varying climate conditions of different regions. At the same time, in order to provide better services for sponsors, we have developed and designed more marketing services and products so that the sponsoring brands would be integrated with the events in a more effective manner, thus maximising the promotional effect. These upgraded services have received positive response from both the runners and sponsors.

Meanwhile, in order to keep pace with the rapid business development, we have further strengthened the upgrade of the management regulations and management system of the Group. The "Manual for Management of Events Organised by Wisdom Sports (《智美賽事管理手冊》)" was the first management standard that has obtained ISO9001 certification in the sports industry. We have also developed a two-dimensional management model, under which we have formulated over 500 management documents and strengthened our work in relation to internal control management. These management upgrades have provided safeguards for our business development and laid a solid foundation for the rapid development of the Group's business in 2018.

2018 is the first year of large-scale development and implementation of the strategic plan of "Sports + Technology" for Wisdom Sports, during which Wisdom Sports will gradually realize large-scale development of its operation by integrating the two national-level key projects, namely "Running in China" and "National Fitness Projects in Smart Cities", and adhering to the strategic development plan of "Sports + Technology".

In 2018, the "Running in China" series will be fully upgraded under three main themes, namely "One Belt, One Road", "Carry the Reform Through to the End" and "Beautiful China", and the number of events will also increase to 30. On the basis of the brand influence established in 2017, the "Running in China" series will continue to illustrate its ability in to promote confidence in Chinese culture this year and demonstrate the greatness and confidence of Chinese people as a whole by linking unique cities with different historical cultures, geographical features and level of economic development in the PRC. Along with the rapid growth of brand influence of the "Running in China" series, the implementation of the "National Fitness Projects in Smart Cities" is also progressing at a fast pace and will become the most important vehicle for the promotion of the "Running in China" series.

The "National Fitness Projects in Smart Cities", a national key project proposed by the China Center for Urban Development of the National Development and Reform Commission (the "**NDRC**") at the beginning of the year, was fully operated by Wisdom Sports Group. It is also the fifth smart city development system after the introduction of smart transportation, smart healthcare, smart insurance and smart education. Wisdom Sports Group will also join hands with the China Center for Urban Development of the NDRC and 130 smart cities in the PRC as well as 79 leading enterprises in the PRC to establish the "Smart City National Fitness Development Alliance" with an aim to contribute to the strategic development of smart national fitness in the PRC. In 2018, our major mission is to formulate national standards for the national fitness system in smart cities, conduct assessments of national fitness in smart cities and promote the establishment and application of the national fitness system in smart cities. Throughout 2018, leveraging the national fitness platform in smart cities, we will organise smart marathons, provide events, services and products for smart venues and establish data collection points for the national fitness platform in smart cities to encourage collaboration between various smart cities, government authorities, cooperate users and the sports community. 2018 will be a year for the commencement of the "National Fitness Projects in Smart Cities" in full force and Wisdom Sports will once again promote the establishment of the national fitness system in smart cities, of national fitness projects in smart cities and the implementation of relevant projects in the capacity of a national team member.

In 2018, Wisdom Sports will embrace a year of large-scale development. We will continue to stride forward by staying firm in our established direction and contribute to the development of the sports industry in the PRC. We hope that our Shareholders can continue to accompany us in our journey and witness the creation of another round of outstanding achievements by of Wisdom Sports.

Management Discussion and Analysis

GROUP OVERVIEW

In 2017, there was deepening reform in China's sports industry. National fitness, being a major component of the sports industry, also embraced a more prosperous atmosphere with the introduction of a series of new measures. The national fitness public service system that covered urban and rural areas showed gradual improvement while the development landscape of national fitness, which was spearheaded by the government with the cooperation of different departments and engagement of the public, was gradually taking shape.

In recent years, among various sports, running, which is represented by marathons, is irreplaceable in terms of its leading role and influence in promoting national fitness and facilitating the building of a "Healthy China". A promising development model involving governmental guidance, social participation and market operation has been formed gradually, driving rapid development of the marathon industry. 720,000 employees were directly employed and 2 million employees were indirectly employed in the industry, while the total scale of the industry amounted to RMB70 billion for the year, representing a year-on-year increase of 20%. Marathons and related events organised within the PRC covered 234 cities in 31 provinces, regions and municipalities (including Tibet Autonomous Region) and attracted about 5 million participants, showing significant growth in both the number of events and participants.

The Group continued to be a leading marathon events operator in 2017, hosting half of the large-scale marathon events in provincial-level cities and first-tier cities which involved more than 10,000 participants, thus continuing to maintain a leading position in the development of the marathon industry.

With the increasing number of participants and events, Wisdom also continued to put great efforts in building its event brand culture and improving its levels of service of operation in the marathon industry. In particular, IP marathon series such as "Running in China" were officially launched. "Running in China" marathon series, a national-level IP jointly hosted by the CCTV and Chinese Athletic Association, was organised by Wisdom on an exclusive basis. A total of 16 events were held in 2017, of which the events featuring the theme of "Red Journey" were held at 8 locations, namely Shanghai, Zunyi, Yan'an, Jilin, Beijing, Xiangyang, Nanchang and Changsha; while those featuring the theme of "Reform and Opening-Up" were held at another 8 locations, namely Kunming, Shenyang, Nanjing, Hangzhou, Qingdao, Fangchenggang, Guangzhou and Shenzhen. The number of people who signed up to the events exceeded 1 million and the total number of participants exceeded 400,000.

Under the "Running in China" IP marathon series, events were no longer organised alone. Some events in second and third-tier cities as well as those branded events including the Guangzhou Marathon and Beijing Marathon would be organised under the same series, which could effectively enhance social participation and market recognition of these events and thus enlivened the local marathon market. The event series also launched a bonus point system and provided big cash prizes as an incentive to ordinary runners with a view to offering the public more channels to experience glory and success from running as well as arousing and reinforcing their passion for and "loyalty" to running. As quoted from the news report published by Xinhua News Agency, "The aspiration of the Chinese people for a happy life has never changed. We make use of 'Running in China' to further arouse this spirit and aspiration and use sports event as a vehicle to bring together, as well as put into practice and promote our cultural and national pride. The 'Running in China' marathon series is not only about fulfilling our social responsibility and mission but also about nurturing local sports cultural elements and developing original event brands".

The report of the 19th National Congress of the Communist Party of China stated that in order to develop socialism with Chinese characteristics, we must consciously adhere to the stance of Chinese culture and base our effort on the reality of today's China with reference to the conditions of the modern era with persistence in creative transformation and innovative development. The "Running in China" marathon series is now on its road to creative transformation and innovative development and has opened up a new path for the development of original event brands with Chinese sports cultural elements. The 2017 season of "Running in China" was approved and recognised by the national leaders, Publicity Department of the Central Committee of the Communist Party of China and General Administration of Sports of China and was described as one of the Top 10 Sports News stories of China in 2017 by the CCTV.

During the 2017 Annual China Marathon Gala, events organised by the Group received 25 medals in total, among which, 11 events were named Gold medal events. The Group was also honored with the "China Marathon Promotion Contribution Award" for two consecutive years. During the six years between 2012 and 2017, the number of marathon events which was awarded gold, silver and bronze medals in China increased year-on-year, of which the Group's events accounted for 25% with 11 gold medal events. In 2017, the Group successfully hosted the 16th Asian Marathon Championships and Dongguan International Marathon 2017, which was the best example of the highest-grade Asian marathon event organised in China. In conclusion, the Group would continue to play a leading role in the marathon industry of the PRC.

In 2017, the Group successfully completed the upgrade of regulation documents for six major systems, namely (i) event management; (ii) marketing management; (iii) financial management; (iv) human resources management; (v) legal and internal control management; and (vi) administration management. A total of 513 sets of management documents were upgraded and updated. The information management platform of the Company was launched successfully and the model of "two-dimensional event management" was established. The comprehensive upgrade of the management system marked the beginning of scientific management of the Company. The event management manual formulated by the Group has obtained the ISO9001 certification, which will be an important management standard to guide the organisation of marathon events of the Group in the future.

The Group's operating strategy for 2018 will focus on "Sports + Technology + Internet". Following the implementation and maturation of the two national-level projects, namely "Running in China" and "National Fitness Project in Smart Cities" hosted by the Group, the Group will make further strenuous efforts in the national fitness industry, with an aim to establish industry standards and optimise the standard of event operation, and expand into the events operation and marketing and sports services segments through collaboration in multi-product development, so as to raise people's interests in sports and promote thriving development of individual consumer market. Leveraging on its capital advantages, the Group will step up its efforts in investment, merger and acquisition of enterprises along the industrial chain. The Group will further focus on the recruitment of high caliber management, with a view to maintaining the Group's leading position in the sports, national fitness and running industry, so as to achieve leaping development.

Wisdom has developed an online service platform for national fitness in joint efforts with various cities. With a view to serving citizens who participate in national fitness and sports events such as marathons, the platform provides daily analysis on workout data, as well as proposals for healthy diet and scientific workout, with an aim to connect sports enthusiasts with sports and the Internet, so as to raise enthusiasm of the general public towards sports through motivation and comparison and help them develop a good habit of scientific workout. Leveraging the significant influence of technology on the sports industry, it is expected that the added value and intrinsic value of the sports industry will be enhanced.

BUSINESS REVIEW

Events Operation and Marketing

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

In 2017, the Group successfully launched the "Running in China" marathon series. The two major themes "Red Journey" and "Reform and Opening-up" of the 2017 "Running in China" marathon series were successfully launched with 16 events in total, including the 2017 Shanghai Chongming International Marathon, the "2017 Hangzhou International Marathon", the "2017 Nanchang International Marathon", the "2017 Changsha International Marathon", the "2017 Guangzhou International Marathon", the "2017 Shenzhen International Marathon", etc. In addition, the Group also successfully organised the "16th Asian Marathon Championships and Dongguan International Marathon 2017" and municipal marathon events, including the "2017 Changchun International Marathon", the "2017 Rongcheng Coast International Marathon" and the "2017 Changde International Marathon".

The Group upgraded its marathon sponsor services comprehensively to initiate a new mode of sponsorship services for the sports IP industry chain by linking the sponsorship services of the entire marathon industry chain prior to, during and after the marathon event through combining the five key elements of marathon events perfectly, namely the (i) host; (ii) carrier; (iii) media; (iv) derivative of the event; and (v) event integration.

The Group made further efforts in clientele development in the marketing segment, with a total of 668 clients developed and 77 clients added for cooperation across 31 industries throughout the year, representing a year-on-year increase of 130% in the number of clients. 27 clients including FAW-Volkswagen Sales Co., Ltd., China Vanke Co., Ltd., Nongfu Spring Co., Ltd., Xiamen Xtep Investment Co., Ltd., China Taiping Insurance Group Limited and Huarong Xiangjiang Bank Corporation Limited, covering automobile, real estate, insurance, fast-moving consumer goods, finance and other industries, have cooperated with the Group on a number of occasions.

Sports Services

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

With the launch of national health policies, local governments have invested more resources in sports and nationwide fitness in order to provide a more diversified sports and health platform for the general public, with marathon being one of the important projects of government procurement services. A marathon event is an overall assessment of the local politics, economy, society and comprehensive governance capacity, as well as a great promotion channel to spread the name of the city and attract foreign investment. The hosting of large-scale marathon events by the local governments not only further satisfied the needs of the public to pursue a happy life, but was also a good opportunity for promoting the history, culture and outstanding classic events of that city, which would build a positive and energetic image of the city.

Apart from live broadcast on the CCTV, the Group also broadcasted its events on a new media platform through the internet in 2017, which improved the spread of influence of such events and was an effective attempt at generating revenue from the copyright on internet and new media platform at the same time. In 2017, the Group continued to build up the sports consumer base and upgraded its sports services by rolling out new sports services and products. Marathon tourism products were developed in collaboration with foreign high-quality marathon events while marathon training camps were organised in conjunction with local marathon events. The Group also made an effective attempt in the individual consumption sector. Products such as exclusive badges, stylish marathon timers, exclusive number labels and special marathon medals have further promoted the upgrade of services provided to running enthusiasts. Participants were therefore able to enjoy a better experience from marathon events and a diversified product platform was developed with revenue generated from individual consumers at such events.

OUTLOOK OF THE INDUSTRY AND THE GROUP

The "Smart City National Fitness Development Alliance" (hereinafter referred to as the "**Alliance**") represented another strenuous effort made by the Group for the upgrade of national fitness industry. The founders of the Alliance are China Center for Urban Development of the NDRC and the Group. China Center for Urban Development of the NDRC served as the President and the Group served as the Vice President and secretary general. Members of the Alliance included smart cities in China, enterprises and institutions, scientific research institutions and specialists.

The Alliance is committed to fully implementing the requirement of the national strategy regarding nationwide fitness, by establishing standards for national fitness system in smart cities, organising systematic assessment and up-to-standard evaluation of national fitness system in smart cities, and pushing ahead with the establishment and application of national fitness system in smart cities. The Alliance will establish standards for the development of national fitness in smart cities, organise different "intelligent sports events", build access to "smart venues" nationwide and regulate the contents of "smart sports service", with a view to formulating regulations for the development of national fitness in smart cities and achieving scientific development.

In 2018, the Group will complete the establishment of a "national fitness platform in smart cities" pursuant to the development plan for national fitness in smart cities and organise 30 "smart marathon" events. The main objective of the public service platform for national fitness is to integrate data, technologies and businesses to extend the application of big data of smart cities in areas such as venue, event, training, etc., so as to make scientific decisions and provide tailored services from training and roll-call to medical aid. This can be achieved through the national fitness service platform by processing the data collected from various central systems in the smart cities in respect of social insurance, education, medical and others. It is believed that the enhanced use of artificial intelligence as health and fitness assistant will help the public to see "intelligence" in a new light.

2018 is the second year of the "Running in China" marathon series. The Group plans to hold 30 events for the "Running in China" marathon series under three main themes, namely "Beautiful China", "One Belt, One Road" and "Carry the Reform Through to the End". The purpose of these three themes is to celebrate the great achievement of the 40th anniversary of the reform and opening-up of China, decode the importance of the national development strategy of "One Belt, One Road" in the new era and demonstrate the happy life of people in "Beautiful China" under the guidance of the Central Committee of the Communist Party. The "Running in China" marathon series has put into practice the supply-side reform of the sports industry, further tightened the marathon industry standards, improved the quality of marathon events, promoted the development of the marathon industry and promoted the building of a marathon culture. As such, the "Running in China" marathon series has become one of the most popular and most influential brand events in China, vigorously promoted the building of a "Powerful Sports Nation" and "Healthy China" and will be the key project for long-term development of the Group in the future.

FINANCIAL REVIEW

In the prior period, the Group had two business divisions which represented two reportable operating segments, namely (a) Events Operation and (b) Advertising Program and Branding. In the current period, the Group changed its internal reporting structure and separated a new operating division from Events Operation called "Sports Services". Subsequent to the change of the internal reporting structure, the Group has three reportable operating segments, which are (a) Events Operation and Marketing: providing mainly marketing services in conjunction with sports-related competitions. Types of revenue include corporate sponsorship income and sales of commercial rights of events; (b) Sports Services: providing services to government, marathon runners and media companies in conjunction with sports-related competitions. Types of revenue include events organisation income, sales of the broadcasting rights of events and individual consumption; and (c) Advertising Program and Branding: provision of advertising and directing, filming and producing video programs for television stations and program production services. Type of revenue includes advertising income. Prior period's segment disclosure has been restated to conform to the current period's presentation.





Revenue from Continuing Operations

The Group's revenue from continuing operations decreased by approximately 9.4% to RMB371.5 million for the year ended 31 December 2017 from RMB410.2 million for the year ended 31 December 2016. The decrease in revenue was mainly due to (i) the decrease in revenue from operations and marketing of events due to the Group's adjustment in strategy in 2017 to commence focusing on operating marathons with no operation of mass sports events; and (ii) no revenue from Advertising Program and Branding in 2017 due to the Group's adjustment in strategy. Details by reportable segments are as follows:

- Revenue from Events Operation and Marketing decreased by approximately 16.4% to RMB257.9 million for the year ended 31 December 2017 from RMB308.6 million for the year ended 31 December 2016. Of which, (i) the operation and marketing revenue of events primarily relating to marathons increased by approximately 12.5% to RMB257.9 million for the year ended 31 December 2017 from RMB229.3 million for the year ended 31 December 2016, with the increase mainly due to the increase in marathon events operated; and (ii) there was no operations and marketing revenue generated from mass sports event for the year ended 31 December 2017 while the revenue was RMB79.2 million for the year ended 31 December 2016, with the decrease mainly due to the Group's focus on operating marathon projects and no operation of mass sports events in this period;

- Revenue of Sports Services increased by approximately 72.6% to RMB113.6 million for the year ended 31 December 2017 from RMB65.8 million for the year ended 31 December 2016, with the increase mainly due to the increase in number of marathon events operated;

- For the year ended 31 December 2017, there is no revenue from Advertising Program and Branding, while for the year ended 31 December 2016, the respective revenue was RMB35.8 million, with the change mainly due to the Group's adjustment in strategy.

Cost of Services from Continuing Operations

The Group's cost of services from continuing operations decreased by approximately 12.0% to RMB240.8 million for the year ended 31 December 2017 from RMB273.6 million for the year ended 31 December 2016. The decrease in costs was mainly due to (i) strengthened cost control; and (ii) decreasing costs of other projects as a result of focus on operating marathon project. Details are as follows:

- Cost of services for Events Operation and Marketing decreased by approximately 12.0% to RMB179.6 million for the year ended 31 December 2017 from RMB204.1 million for the year ended 31 December 2016. Of which, (i) the costs of operation and marketing of events primarily relating to marathons decreased by approximately 3.3% to RMB179.6 million for the year ended 31 December 2017 from RMB185.8 million for the year ended 31 December 2016, with the decrease mainly due to strengthened cost control, and a substantial decrease in events operating costs due to the costs advantages achieved as events reach a significant scale; and (ii) there was no costs of mass sports events incurred for the year ended 31 December 2017 while RMB18.3 million was incurred for the year ended 31 December 2016, with the decrease mainly due to the Group's focus on operating marathon projects in this period;

- Cost of services for Sports Services increased by approximately 53.3% to RMB61.3 million for the year ended 31 December 2017 from RMB40.0 million for the year ended 31 December 2016, due to the increase in number of marathon events organised;

- As the Group commenced focusing on operating marathon projects in 2017, no service costs of Advertising Program and Branding were recorded for the year ended 31 December 2017, while for the year ended 31 December 2016, the respective costs were RMB29.5 million.

Gross Profit and Gross Profit Margin from Continuing Operations

As a result of the aforementioned factors, the Group's gross profit from continuing operations decreased by approximately 4.3% to RMB130.6 million for the year ended 31 December 2017 from RMB136.5 million for the year ended 31 December 2016. However, the gross profit margin from continuing operations increased to approximately 35.2% for the year ended 31 December 2017 from 33.3% for the year ended 31 December 2016. The decrease of the gross profit was mainly due to the decrease in the gross profit from other businesses as a result of Wisdom's focus on operating marathons. The increase in the gross profit margin was mainly due to larger contribution from marathon business with higher gross profit margin. Details are as follows:

- As a result of the foregoing changes in revenue and cost of services from Events Operation and Marketing, the gross profit for Events Operation and Marketing decreased by approximately 25.1% to RMB78.3 million for the year ended 31 December 2017 from RMB104.5 million for the year ended 31 December 2016. Of which, (i) gross profit from the operations and marketing of marathon events increased by approximately 80.0% to RMB78.3 million for the year ended 31 December 2017 from RMB43.5 million for the year ended 31 December 2016, with the increase in gross profit mainly due to the increase in marathon events operated and the strengthened cost control; and (ii) there was no gross profit from the operations and marketing of mass sports events for the year ended 31 December 2017 while RMB61.0 million was recognised for the year ended 31 December 2016, with the decrease mainly due to the Group's adjustment of strategy to focus on operating marathon events. The gross profit margin for Events Operation and Marketing decreased to 30.4% for the year ended 31 December 2017 from 33.9% for the year ended 31 December 2016. The decrease in gross profit margin was primarily due to focusing on operation of the marathon business which has better prospects and temporarily dropping traditional mass sports events during the current period;

- As a result of the foregoing changes in revenue and cost of services for Sports Services, the gross profit for Sports Services increased by approximately 102.7% to RMB52.3 million for the year ended 31 December 2017 from RMB25.8 million for the year ended 31 December 2016. Gross profit margin increased to 46.0% for the year ended 31 December 2017 from 39.2% for the year ended 31 December 2016. The increase in gross profit and gross profit margin was primarily due to the significant increase in revenue resulting from the increase in number of marathon events organised; and

- As a result of the foregoing changes in revenue and cost of services for Advertising Program and Branding, there was no gross profit for Advertising Program and Branding for the year ended 31 December 2017 while RMB6.2 million was recognised for the year ended 31 December 2016. Nil gross profit margin was recognised for the year ended 31 December 2017 while gross profit margin was 17.5% for the year ended 31 December 2016.

Profits from Discontinued Operations

As a result of the disposal of Shenzhen Wisdom Basketball Industry Co., Ltd ("**SWBI**") which was principally engaged in the operations of the 2016-2019 National Basketball League business mentioned in Note 17 of "Notes to the Consolidated Financial Statements", the Group treated such business operations as discontinued operations, which for the year ended 31 December 2016 recorded net profit of RMB23.4 million. Net profit of RMB69.3 million was recognised for the year ended 31 December 2017 which arose solely from the disposal.

Selling and Distribution Expenses from Continuing Operations

The Group's selling and distribution expenses from continuing operations increased by approximately 2.1% to RMB24.5 million for the year ended 31 December 2017 from RMB24.0 million for the year ended 31 December 2016. This increase was mainly due to the increase in the relevant marketing expenses for the purpose of enhancing the Group's brand influence.

General and Administrative Expenses from Continuing Operations

The Group's general and administrative expenses from continuing operations decreased by approximately 6.8% to RMB51.1 million for the year ended 31 December 2017 from RMB54.8 million for the year ended 31 December 2016. This decrease was mainly due to the Group's strengthened management of daily expenses.

Other Income from Continuing Operations

The Group's other income from continuing operations decreased by approximately 21.9% to RMB26.1 million for the year ended 31 December 2017 from RMB33.4 million for the year ended 31 December 2016. This decrease was mainly due to the decrease in subsidies on tax refunds from government bodies.

Other (Losses)/Gains from Continuing Operations

The Group's other (losses)/gains from continuing operations decreased by approximately 201.1% to net losses of RMB8.8 million for the year ended 31 December 2017 from the net gains of RMB8.7 million for the year ended 31 December 2016. The decrease was mainly due to the gains from disposal of a subsidiary in 2016.

Cash Flows

As at 31 December 2017, the Group's cash and cash equivalents amounted to RMB324.4 million compared with that of RMB524.5 million as at 31 December 2016.

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

	For the year ended 31 December	
	2017	2016
	RMB'000	RMB'000 (restated)
Net cash generated from operating activities	**77,909**	252,047
Net cash used in investing activities	**(191,284)**	(250,316)
Net cash used in financing activities	**(85,608)**	–
Net (decrease)/increase in cash and cash equivalents	**(198,983)**	1,731
Cash and cash equivalents at 1 January	**524,450**	522,259
Effect of foreign exchange rate changes	**(1,033)**	460
Cash and cash equivalents at 31 December	**324,434**	524,450

Net Cash Generated from Operating Activities

Net cash generated from operating activities amounted to approximately RMB252.0 million for the year ended 31 December 2016, while net cash generated from operating activities amounted to approximately RMB78.0 million for the year ended 31 December 2017. The change was mainly attributable to the absence of cashflow from operation of mass sports events and Advertising Program and Branding in 2017 due to the Group's adjustment in strategy.

Net Cash Used in Investing Activities

Net cash used in investing activities amounted to approximately RMB250.3 million for the year ended 31 December 2016, while net cash used in investing activities amounted to approximately RMB191.3 million for the year ended 31 December 2017. The change was mainly attributable to the decrease in purchase of treasury products in the current year.

Net Cash Used in Financing Activities

Net cash of approximately RMB85.6 million was used in financing activities for the year ended 31 December 2017 while no cash was used in financial activities for the year ended 31 December 2016. This capital was mainly used in the payment of 2017 interim dividend and share repurchases which were approved in the general meeting in the current year.

Working Capital

The Group's net current assets increased by approximately 17.8% to RMB965.6 million for the year ended 31 December 2017 from RMB819.9 million for the year ended 31 December 2016. 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 RMB1.0 million for the year ended 31 December 2017 (for the year ended 31 December 2016: RMB16.5 million).

LIQUIDITY AND FINANCIAL RESOURCES OF THE GROUP

In order to achieve better cost control and minimise the cost of funds, the Group's treasury activities are centralised and cash is generally deposited with banks and denominated mostly in RMB. As at 31 December 2017, the Group had net current assets of RMB965.6 million (31 December 2016: RMB819.9 million), of which cash and cash equivalents amounted to RMB324.4 million (31 December 2016: RMB524.5 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 Events Operation and Marketing Segment and Sports Services Segment, 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 advertising programs, 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 Advertising Program and Branding Segment 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 Group's 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 foreign exchange rates for the year ended 31 December 2017, 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.

CAPITAL STRUCTURE OF THE GROUP

The reorganisation of the Company and the subsidiaries of the Company as set out in the prospectus of the Company dated 28 June 2013 (the "**Prospectus**") was completed on 24 June 2013. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 11 July 2013. On 7 August 2013, the Company issued an additional 9,045,000 ordinary shares at the offer price of HK$2.11 each to the public upon the partial exercise of the over-allotment option. The options to subscribe for a total of 1,210,000 shares of the Company were granted on 23 May 2014 to employees of the Group and the options to subscribe for a total of 2,500,000 shares of the Company were granted on 29 May 2015 to employees of the Group. As at the date of this annual report, no option has been exercised. Save for the above, there was no alteration in the capital structure of the Group for the year ended 31 December 2017.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND PLANS FOR SIGNIFICANT INVESTMENTS OR ACQUISITIONS OF CAPITAL ASSETS IN THE FUTURE

Save for the reorganisation of the Group as mentioned in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus and the notes to the consolidated financial statements, during the year ended 31 December 2017, 1) Wisdom Events Operation and Management (Zhejiang) Co., Ltd. (智美賽事營運管理(浙江)有限公司) has made a capital contribution of RMB18.0 million into Vning Sports Culture Industry (Beijing) Co., Ltd. (維寧體育文化產業(北京)有限公司) and made a capital contribution of RMB63.6 million into Beijing Shangde Da'ai Sports Co., Ltd. (北京上德大愛體育有限公司); 2) during the year ended 31 December 2017, Beijing Wisdom Media Holding Co., Ltd. has made a capital contribution of RMB21.0 million into Beijing EASTED Information Technology Co., Ltd.; 3) during the year ended 31 December 2017, Shenzhen Wisdom Sports Industry Co., Ltd. disposed of SWBI, its subsidiary, at a consideration of RMB116.0 million; 4) for the year ended 31 December 2017, Beijing Wisdom Sports Industry Co., Ltd. (北京智美體育產業有限公司) disposed of a 45% equity interest in its joint venture SEG ZM Sports Culture Development Co., Ltd. for RMB22.5 million. After disposal, Beijing Wisdom Sports Industry Co., Ltd. still holds a 10% equity interest therein, and the interest is accounted for as an investment in an associate. Save as disclosed in this annual report, for the year ended 31 December 2017, the Group had no other material investments, material acquisitions and disposals of subsidiaries, associates and joint ventures. Save as disclosed in the relevant announcements, the Group has no plans for material investments or acquisitions of material capital assets in the future.

CHARGE ON ASSETS

As at 31 December 2017, there was no charge on the Group's assets.

FINANCIAL RATIO

Financial ratio	**As at 31 December 2017**	As at 31 December 2016
Current ratio	**907.2%**	642.8%
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 2017 and 31 December 2016.

CONTINGENT LIABILITIES

As at 31 December 2017, the Company had no material contingent liabilities.

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 2017, 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 2017.

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 and the president of the Company)*
Mr. Zhang Han *(Vice chairman of the Board)*
Mr. Song Hongfei *(Member of the Remuneration Committee)*
Ms. Hao Bin *(Appointed as executive Director with effect from 1 June 2017)*
Dr. Shen Wei *(Ceased to act as executive Director with effect from 1 June 2017, continued to be the senior vice president of the Company)*

Non-executive Directors

Mr. Jin Haitao *(Ceased to act as non-executive Director with effect from 1 June 2017)*
Mr. Xu Jiongwei *(Ceased to act as non-executive Director and member of the Audit Committee with effect from 1 June 2017)*

Independent non-executive Directors

Mr. Chen Zhijian *(Appointed as independent non-executive Director, chairman of the Audit Committee and member of the Remuneration Committee with effect from 15 February 2018)*
Mr. Ip Kwok On Sammy *(Member of the Nomination Committee and appointed as member of the Audit Committee with effect from 1 June 2017)*
Mr. Jin Guoqiang *(Chairman of the Remuneration Committee, member of the Audit Committee and Nomination Committee)*
Mr. Wei Kevin Cheng *(Ceased to act as independent non-executive Director*, *Chairman of the Audit Committee and member of the Remuneration Committee with effect from 15 February 2018)*

Throughout the year ended 31 December 2017, the Board held ten 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 is set out in the section headed “Directors, Senior Management and Employees” on pages 71 to 74 of this annual report.

None of the members of the Board is related to one another.

Chairlady and Chief Executive

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Ms. Ren Wen, who acts as the chairlady of the Board and an executive Director, is also the president of the Company. She is mainly responsible for the implementation of the strategic layout of the Group. 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.

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 2017, 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.

Our executive Directors have all entered into service contracts with our Company. Ms. Ren Wen has entered into a service contract with the Company for a term of three years commencing from 20 March 2015 which was renewed for a term of three years commencing from 20 March 2018; Mr. Zhang Han has entered into a service contract with the Company for a term of three years commencing from 14 June 2016; Mr. Song Hongfei has entered into a service contract with the Company for a term of three years commencing from 26 August 2016; whilst Ms. Hao Bin has entered into a service contract with the Company for a term of three years commencing from 1 June 2017.

Each of the independent non-executive Directors, Mr. Ip Kwok On Sammy and Mr. Jin Guoqiang, has entered into an appointment contract with the Company for a term of three years commencing from 14 June 2016. Either party may terminate the appointment contract by giving the other party not less than six months' notice in writing. Mr. Chen Zhijian, an independent non-executive Director, has entered into an appointment contract with the Company for a term of three years commencing from 15 February 2018.

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 expense, 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 will be reviewed on an annual basis.

Continuous Professional Development of Directors

Directors keep abreast of their 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 expense.

During the year ended 31 December 2017, all Directors have participated in continuous professional development by attending seminars, in-house briefings or reading materials on the following topics to develop and refresh their knowledge and skills:

Directors	Topics of training covered Note
Executive Directors	
Ms. Ren Wen	1, 2, 3, 4
Mr. Zhang Han	1, 2, 3, 4
Mr. Song Hongfei	1, 2, 3, 4
Ms. Hao Bin*	1, 2, 3, 4
Dr. Shen Wei*	1, 2, 3, 4
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 Ms. Hao Bin as an executive Director and the resignation of Dr. Shen Wei as an executive Director were effective from 1 June 2017.

\# Mr. Jin Haitao and Mr. Xu Jiongwei's resignations as non-executive Directors were effective from 1 June 2017.

** Mr. Wei Kevin Cheng's resignation as an independent non-executive Director was effective from 15 February 2018. Since Mr. Chen Zhijian was appointed as an independent non-executive Director with effect from 15 February 2018, his training records from the date of his appointment to 31 December 2018 will be disclosed in the 2018 annual report.

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

Remuneration of Directors and Senior Management

The remuneration of Directors and the members of the senior management by bands for the year ended 31 December 2017 is set out below:

Remuneration bands	Number of persons
HK$0 to HK$1,000,000	7
HK$1,000,001 to HK$2,000,000	4

Particulars regarding the five highest paid individuals and Directors' emoluments as required to be disclosed pursuant to the Listing Rules are set out in Notes 14(a) and 15 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. Chen Zhijian (chairman), Mr. Jin Guoqiang and Mr. Ip Kwok On Sammy, all being independent non-executive Directors (including one independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise). Mr. Xu Jiongwei ceased to be a member of the Audit Committee and Mr. Ip Kwok On Sammy was appointed as a member of the Audit Committee with effect from 1 June 2017. Mr. Wei Kevin Cheng ceased to be the chairman of the Audit Committee with effect from 15 February 2018 and Mr. Chen Zhijian was appointed as the chairman of the Audit Committee on the same day. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

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 2017, to review annual financial results and report in respect of the year ended 31 December 2016 and interim financial results and report in respect of the period ended 30 June 2017 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. Chen Zhijian, who are independent non-executive Directors, and Mr. Song Hongfei, an executive Director. Mr. Wei Kevin Cheng ceased to be a member of the Remuneration Committee with effect from 15 February 2018 and Mr. Chen Zhijian was appointed as a member of the Remuneration Committee on the same day.

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 2017 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), an executive Director, and Mr. Ip Kwok On Sammy and Mr. Jin Guoqiang, who are independent non-executive Directors.

The primary duties of the Nomination Committee include but are not limited to, reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive Directors and making recommendations 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 the 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 2017 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 the appointment of Ms. Hao Bin 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 2017 are set out in the table below:

	Attendance/Number of Meetings				
Name of Director	Board	Nomination Committee	Remuneration Committee	Audit Committee	Annual General Meeting
Ren Wen	10/10	2/2	–	–	1/1
Zhang Han	10/10	–	–	–	1/1
Song Hongfei	10/10	–	2/2	–	1/1
Hao Bin*	4/4	–	–	–	1/1
Shen Wei*	6/6	–	–	–	1/1
Jin Haitao#	3/6	–	–	–	1/1
Xu Jiongwei#	5/6	–	–	1/1	1/1
Wei Kevin Cheng**	8/10	–	2/2	2/2	1/1
Ip Kwok On Sammy	10/10	2/2	–	1/1	1/1
Jin Guoqiang	10/10	2/2	2/2	2/2	1/1

* The appointment of Ms. Hao Bin as an executive Director and the resignation of Dr. Shen Wei as an executive Director were effective from 1 June 2017.

\# Mr. Jin Haitao and Mr. Xu Jiongwei's resignations as a non-executive Director were effective from 1 June 2017.

** Mr. Wei Kevin Cheng's resignation as an independent non-executive Director was effective from 15 February 2018. Mr. Chen Zhijian was appointed as an Independent Non-executive Director with effect from 15 February 2018. As such, his attendance records as a Director and committee member from the date of his appointment to 31 December 2018 will be disclosed in the 2018 annual report.

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 2017.

RISK MANAGEMENT AND INTERNAL CONTROLS

1. Responsibility

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

2. Control Structure of Risk Management and Internal Control

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

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

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

The legal and internal control department is assigned with the task to organise and coordinate the risk identification and evaluation procedure and prepare a risk evaluation report. The notice of risk identification is submitted and the action plan to regulate such risks is reported to the Audit Committee. Meanwhile, the internal control department (with internal audit function) is responsible for assisting the Audit Committee to review the effectiveness of the risk management and internal control systems of the Group, and make use of internal audit procedures to evaluate the adequacy and effectiveness of the systems independently.

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

3. Risk Management

3.1 Risk Management Objective

Corporate risk management is to achieve the following objectives through building rational organisation systems and management modes, identifying significant risks that the company faces, responding and monitoring significant risks:

- Identify, evaluate, analyse, respond to and monitor all existing and future significant risks, and maintain the risks within the acceptable levels of risk that the management can take;

- Build sustainable and effective monitoring and reporting mechanism for all significant risks;

- Provide rational assurance for the company to follow requirements of relative laws and regulations of external supervision agencies, and for all departments to follow the Company's relative internal rules and regulations; and

- Provide rational assurance for execution of major measures aiming to achieve corporate objectives.

3.2 Main Process of Risk Management

Risk management mainly includes risk identification, risk evaluation, risk management measures and risk control and reporting.

Risk identification: all operating and functional departments should identify potential internal and external risks during their operation at least annually. Risk identification mainly refers to the effects on the goals and significant issues or risk events in corporate operation in previous years. The risks that have been identified shall be summarised to finally form a risk pool according to risk category.

Risk evaluation: all operating and functional departments shall evaluate the possibility of occurrence and influence degree of risks according to risk evaluation criteria. 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 level of management, the Audit Committee and the Board. The final significant risks list is determined after full communication and discussion.

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

Risk control and reporting: 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 2017. 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
Risk of Public Relationship Management	**Communication Risk** As the leading enterprise in the marathon events operation industry, Wisdom Sports organises large marathon races in big cities. In this procedure, it is particularly important to stay in communication with local governments, media and sponsors. When communicating with relative departments, there are difficulties in implementing the plan, while the temporary adjustment of unexpected situations usually occurs as well. What's more, the fact that leaders' replacement may lead to poor communication and even stagnation of work. All of the above will affect the normal operation of the competitions, and increase the difficulty and risk of implementation.	The Company should actively carry out the daily maintenance of the relationship with the government and maintain decent communication with the government. In the early stages of the preparation of the events, the Company should do the relevant preparation and prepare strategies to respond to sudden changes, and improve the staff's ability to act in an emergency through training.	Decrease

Risk Category	Risk Description	Risk Control Measures	Risk Change Trend
Risk of Competing with other Companies	**IP events of the brands are flourishing, therefore increasing the risk of competition in the industry** Due to the rise of domestic marathon events, many brands of IP in the industry are developing rapidly, and all brands of marathon events are flourishing. Wisdom Sports is the leading enterprise in the marathon events operation industry. Therefore, there is a risk of not increasing our market share and remaining as the leader in the industry.	The Company will unite with the China Track and Field Association and CCTV to launch the IP event called "Running in China". The Company will respond positively to the call of the Central Committee of the Communist Party of China. While the Company is seizing the theme line, the Company should upgrade the running friends' services and sponsorship services to consolidate its increasing market share and remain as the leader in the industry.	Decrease
Brand and Reputation Risk	**Lack of public opinion control may bring brand reputation risk** With the continuous growth of the Company's business, and the expanding scale of the Company, negative rumors about the Company or management may appear on the internet, attacking the Company's operations, health conditions of the management, etc., which may affect the Company's normal business, and even worse, have negative impacts on the Company's brand reputation to a certain degree.	The Company should implement a "two-dimensional" mode of operation on a large scale and form a standardised working procedure, therefore diminishing the possibility of the occurrence of a crisis. If there is a rumor out of malice, the Company should communicate with the capital market actively and timely, according to their different influence to take a different coping style. For example, if there is a significant impact on the Company, the Company should convene an investor conference immediately, and the management should come forward to explain the situation; or clarify the facts through the financial media press, and if necessary, the Company has to respond to the rumors by legal proceedings.	Decrease

4. Internal control

4.1 Objective of Internal control

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

- Properly ensure the legal compliance of business operations and management, assets security, and truthfulness and integrity of financial reports and related information
- Improve operational efficiency and effectiveness
- Facilitate the enterprise to achieve development strategies

4.2 Internal control

Based on the COSO (the Committee of Sponsoring Organisations of the Treadway Commission Integrated Framework), the Group designs its internal control system by combining the business management characteristics of the Group, and has specially set up the Internal Control Department which is responsible for the work of internal control. For the year ended 31 December 2017, the Group has carried out risk-oriented internal control evaluation on the financial reporting process, fund management process, business and revenue process, cost and payment process, and asset management process, and followed up with 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 covered all material controls, including financial, operational and compliance controls.

As of 31 December 2017, the Board believes that the Company and its subsidiaries have implemented closed-loop management mechanism of internal control from planning, reviewing, reporting to follow-up. The system of risk management and internal control was effective and adequate, and relevant procedures for financial reporting and *Listing Rules* compliance was effective. There were no findings of significant matters that might affect the Group's financial, operational and compliance controls as well as risk management.

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

4.3 Inside Information

The Group acknowledges and strictly abides by the requirements of currently effective laws, regulations and guidelines in dealing with relevant affairs, including the responsibility concerning inside information disclosure in the *Securities and Futures Ordinance, Listing Rules* and *Guidelines on Disclosure of Inside Information* promulgated by the Securities and Futures Commission. The Group has established the procedures and internal controls for the handling and dissemination of inside information, and has passed on the implementation of continuous disclosure policy to all relevant personnel and provided them with 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 2017.

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 for the financial statements is set out in the Independent Auditor's Report on pages 75 to 79.

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

AUDITOR'S REMUNERATION

An analysis of the remuneration paid to the external auditors of the Company, RSM Hong Kong and Deloitte Touche Tohmatsu, in respect of audit-related services and non-audit related services for the year ended 31 December 2017 is set out below:

Service Category	Fees Paid/ Payable RMB'000
Audit-related services	
RSM Hong Kong	2,750
Deloitte Touche Tohmatsu	2,850
	5,600
Non-audit related services	
Deloitte Touche Tohmatsu	
– Consulting services on compliance of Environmental, Social and Governance Reporting Guide	290
Deloitte Touche Tohmatsu	
– Consulting services on risk control compliance	150
	440

Deloitte Touche Tohmatsu resigned as the auditor of the Company with effect from 15 February 2018. RSM Hong Kong was appointed as the auditor of the Company on the same day.

COMPANY SECRETARIES

Ms. Hao Bin, an Executive Director and the head of the Legal Department 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, a 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.

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 Meetings by Shareholders

Pursuant to Article 58 of the Articles of Association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (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 of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

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

Address:	No. 43, Building B, 25 Xiaoyun Road, Chaoyang District, Beijing, PRC (Attention: The Investor Relations Department)
Fax:	+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 2018 AGM will be held on 29 May 2018. 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 2017, 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 attached high importance to all relevant provisions of Corporate Governance Code, and continues to improve all systems of corporate governance in order to ensure the more standard and perfect operations of the Company.

Environmental, Social and Governance Report

Wisdom Sports Group (hereinafter referred to as "**Wisdom Sports**", the "**Group**" and "**We**") believes that sound performance in terms of environmental, social and governance exert a far-reaching influence on the sustainable development of the Group and long-term value creation for shareholders. By upholding the brand concept of "Wisdom in the mind and fitness in the body" (智其身心，美其體魄), Wisdom Sports has actively fulfilled its corporate social responsibilities with its characteristics while improving financial performance, with a view to facilitating nationwide fitness and sustainable development.

The Environmental, Social and Governance ("**ESG**") report (the "**Report**") has been prepared by the Group with reference to the ESG Reporting Guide 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 — event operation ranging from 1 January 2017 to 31 December 2017 (the "**reporting period**") and other categories related to ESG. The main stakeholders, including the business departments and the management, have participated in the importance evaluation, in order to identify the significant ESG policies that are related to the Group and include these policies in the Report.

Upon evaluation by the Group's social responsibility panel, the environmental, social and governance matters which were considered to be of importance to the Group and other relevant matters within the scope of the ESG Reporting Guide are listed as below.

Scope set forth in the ESG Reporting Guide	Major matters concerning ESG of the Group
A Environmental	
A1 Emissions	Management of Emissions
	Results Achieved for Emissions
A2 Use of Resources	Management of Use of Resources
	Results Achieved for Use of Resources
A3 The Environment and Natural Resources	The Environment and Natural Resources
B Social	
B1 Employment	Employment
B2 Health and Safety	Health and Safety
B3 Development and Training	Development and Training
B4 Labour Standards	Labour Standards
B5 Supply Chain Management	Supply Chain Management
B6 Product Responsibility	Professional Sports Service
	Safe Sports Service
B7 Anti-corruption	Anti-corruption
B8 Community Investment	Community Investment

A ENVIRONMENTAL

A1 Emissions

Wisdom Sports strictly abides by the Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes and the laws and regulations in relation to the environment in the countries where the projects operate. The Group has maintained strict management over emissions generated from event operation and daily office work, with a view to reducing the impact on the environment.

During the reporting period, the Group was not involved in any litigation or respective penalty due to violation of environmental laws and regulations.

A1.1 Management of Emissions

Wisdom Sports has advanced with the times. With reference to its ever-growing business sectors, Wisdom Sports conducted targeted analysis on the sources of emissions and adopted appropriate management measures to reduce the impact on the environment.

	Sources of emissions	Management measures
Event operation	The Group is principally engaged in event operation. Apart from waste gas emissions which were exhaust gas generated from the combustion of fuels of vehicles, no exhaust gas, such as sulphur dioxide and nitrogen oxides, was generated. Wastewater and solid wastes mainly derived from abandoned sets and props of event operation, packaging materials of supplies (e.g. plastic water bottles and paper cups) as well as domestic waste and domestic sewage generated from mobile toilets but no hazardous waste was generated.	• Reusable materials were chosen for event operation and non-recyclable materials were given to suppliers for disposal; • Mobile toilets were under proper management and given to suppliers for disposal after the events; • Trash collection points were set up for marathon races and the trash generated from event operation was recycled.
Daily office work	No exhaust gas, such as sulphur dioxide and nitrogen oxides, was generated from daily office work of the Group. Liquid waste was mainly domestic sewage, while solid waste was mainly non-hazardous waste such as office and domestic waste as well as hazardous waste of limited amounts, e.g. toner cartridges.	• Wastewater was collected and disposed of through the municipal pipe network; • Office and domestic waste was collected and given to municipal authorities for recycling; • Limited amounts of hazardous waste such as toner cartridges were given to qualified third parties for disposal after collection; • We launched the OA system and promoted paperless office by encouraging double-sided printing and reuse of paper; • We actively made use of the remote conference system to reduce onsite conferences.

A1.2 Results Achieved for Emissions

By implementing management measures of emissions, the Group effectively controlled emissions to avoid impact on the environment. The emissions data of the Group in 2017 is listed as below:

2017 Emissions Data

Type of emissions	Unit	Value
Discharge of domestic sewage	Tonnes	220.88
Emission of non-hazardous waste	Tonnes	71.83
Emissions of non-hazardous waste from event operation	Tonnes	68.32
Emission of non-hazardous waste from daily office work	Tonnes	3.51
Density of non-hazardous waste generated	Tonnes/RMB million	0.19
Disposal rate of non-hazardous waste	%	100
Total emission of greenhouse gases	Tonnes	191.00
Density of greenhouse gas emissions	Tonnes/RMB million	0.51

A2 Use of Resources

A2.1 Management of Use of Resources

The objective for corporate resource management of the Group is conservation in the use of resources and reduction in greenhouse gas emissions. To this end, the Group implemented effective resource management to provide participants with environmentally-friendly products and services, with a view to achieving comprehensive and sustainable development of the Company.

The Group mainly consumed gasoline and other resources in event operation and it mainly consumed electricity, heat, water and other resources in daily office work.

Management systems

- The Group defined the provisions for management by developing the management systems, including management regulations of business travel, management regulations on the use of vehicles and management regulations on the use of lighting, and strictly implemented and executed the aforesaid.

Management measures

- The Group mainly made use of leased vehicles in event operation;
- The Group assigned designated personnel for inspection of water and power use after each shift to avoid turning on lighting and air-conditioners when not in use;
- The Group made use of energy-saving lighting and water-efficient equipment and posted signs in relation to energy-saving and water-efficiency in public areas;
- The Group recorded the travel schedules and mileage of its own vehicles to avoid wasting gasoline;
- The Group encouraged the use of public transport such as bus, metro and sharing bikes and maintained stringent management over the use of taxis. For business travel of short distances, the Group encouraged the use of trains instead of planes.

Promotion and education	•	The Group carried out promotion and education activities in relation to environmental protection and energy conservation.

A2.2 Results Achieved for Use of Resources

By strengthening the management of use of resources, the Group effectively controlled the energy consumption per unit output value and greenhouse gas emissions. The data of resource consumption of the Group in 2017 is listed as below:

2017 Resource Consumption Data

Type of resources	Unit	Value
Gasoline	Tonnes	6.51
Electricity purchased	kWh	55,320.00
Heat purchased	GJ	1,177.90
Total amount of comprehensive energy consumption in terms of standard coal	Tonnes of standard coal	56.60
Density of comprehensive energy consumption	Tonnes of standard coal/ RMB million	0.15
Total amount of water consumption	Tonnes	745.00
Amount of water consumption in terms of bottled water for event operation	Tonnes	484.00
Amount of water consumption for daily office work	Tonnes	261.00
Density of water consumption	Tonnes/RMB million	2.01

Note: Apart from amount of water consumption in terms of bottled water for event operation, other data represented the data of daily office work. The resource consumption of event operation was mainly borne by the leasing party.

A3 The Environment and Natural Resources

Global warming arising from the use of fossil fuels is getting attention in the international society. As a service provider of event operation, Wisdom Sports has proactively developed and operated marathon events, with an aim to promoting the concept of green travelling and a green, healthy and low-carbon lifestyle, thereby contributing to reducing greenhouse gas emissions and slowing global warming.

Besides, the Group has adopted various measures to reduce the impact on the environment and natural resources arising from events development and operation.

Development of marathon projects	• In respect of developing new projects, the Group negotiated with the relevant government authorities to select appropriate routes for marathons, thereby minimising the impact of projects on the environment.
Operation of marathon projects	• The Group organised training in relation to environmental protection for university student volunteers before the marathons; • The Group promoted the green, healthy and low-carbon lifestyle among participants and residents in the marathon races; • The Group provided sufficient auxiliary facilities (e.g. mobile toilets) to avoid the occurrence of “Urinating on the wall”; • The Group cleaned the areas involved in a timely manner after the marathon races to restore the original condition.

Case Study: A Beautiful Shenzhen with no Garbage on the Ground (垃圾不落地，深圳更美麗)

The venues are often littered with garbage after large-scale cultural and sports events due to insufficient operational management. As a responsible marathon events operator, Wisdom Sports has always attached importance to environmental protection. To this end, it organised activities such as “No Garbage Left after Marathon”, with a view to leaving the venue with a wonderful memory instead of garbage.

On 17 December 2017, more than 30,000 participants started the marathon with passion in freezing Shenzhen with the help of over 3,000 volunteers. While showing the slogan of “A Beautiful Shenzhen with no Garbage on the Ground”, the volunteers promoted environmental protection along the track and in the surrounding areas and collected garbage left on the track to restore the original condition of the environment, which highlighted the beauty of the humanities in Shenzhen after the shower of wonderfulness from the marathon.

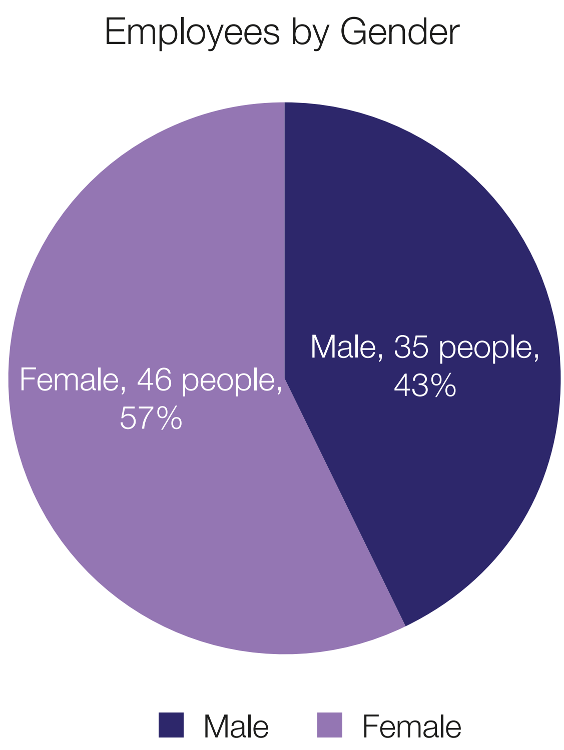
B SOCIAL

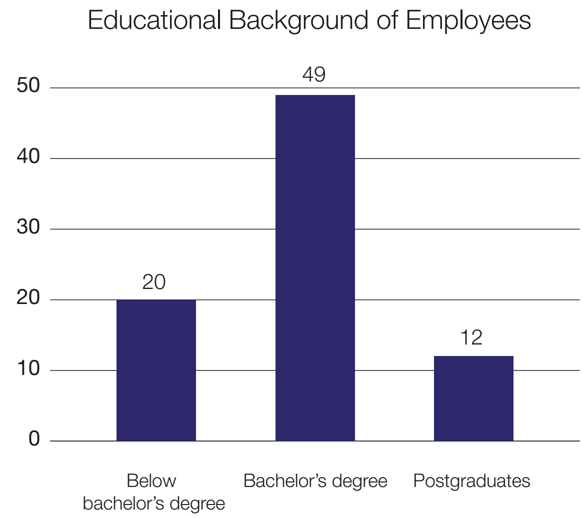
B1 Employment

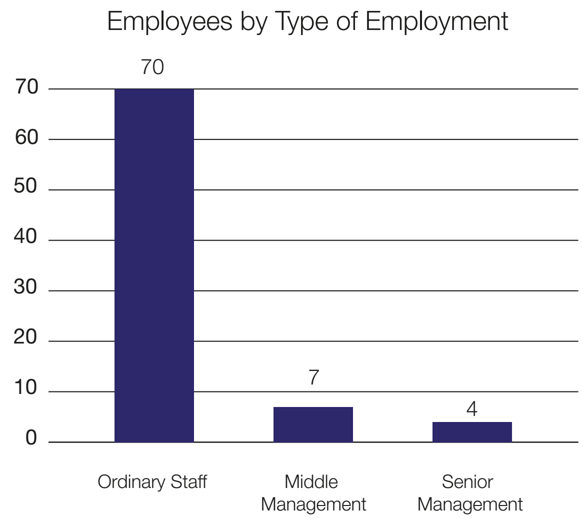
Wisdom Sports has strictly observed the provisions of laws related to employment such as the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China, and has formulated internal policies for employees of the Group to safeguard the legitimate rights and interests of employees, with a view to enhancing their sense of belonging and happiness, so as to build a harmonious corporate environment.

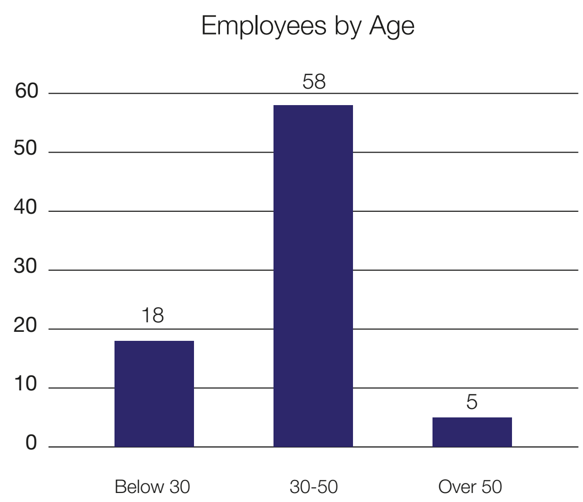
During the reporting period, the Group was not involved in any litigation or respective penalty due to violation of employment laws.

Employment arrangements	Management measures
Recruitment and dismissal	The Group formulated the conditions of recruitment and dismissal in compliance with all applicable laws and regulations and entered into labor contracts with its employees after employment. As at the end of the reporting period, the Group had a total of 81 employees and the signing rate of labor contracts was 100%.
Remuneration	The Group provided its employees with competitive remuneration and made contributions to a series of basic social insurance, including endowment insurance, basic medical insurance, unemployment insurance, work injury insurance and maternity insurance. It also provided other employee benefits, such as supplemental medical insurance and housing provident fund.
Performance assessment and promotion	The Group conducted performance assessment for its employees according to provisions and promoted employees with outstanding performance, providing equal and scientific career paths to employees for their occupational development.
Leave	The Group observed the provisions of the Labor Law and ensured that the working hours of employees were limited to eight hours per day or 40 hours per week. The working hours of some employees were calculated in terms of the year, which would not exceed the statutory working hours. In addition, the Group provided full protection for leave entitlement, including annual leave, of its employees.
Equality, diversity and anti-discrimination	By upholding the principles of equality, diversity and anti-discrimination, the Group has exercised complete respect concerning the legitimate rights and interests of its female employees to eliminate matters related to gender discrimination.


Employees by Gender
Male, 35 people, 43%
Female, 46 people, 57%
Male
Female


Educational Background of Employees
50
40
30
20
10
0
20
49
12
Below bachelor's degree
Bachelor's degree
Postgraduates


Employees by Type of Employment
70
60
50
40
30
20
10
0
70
7
4
Ordinary Staff
Middle Management
Senior Management


Employees by Age
60
50
40
30
20
10
0
18
58
5
Below 30
30-50
Over 50

B2 Health and Safety

Wisdom Sports has strictly observed the laws and regulations in relation to health and safety such as the Production Safety Law of the People's Republic of China and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, followed the philosophy of people orientation to show care for the mental and physical health of employees and strived to lift their sense of happiness.

The Group is engaged in event operation and some of its employees have to go on frequent business trips to ensure smooth commencement of event operation. Therefore, the Group has attached great significance to protecting the health and safety of employees during their business trips. To this end, the Group provided targeted trainings on health and safety risks which would arise during business trips or at work, with an aim to equipping the employees with knowledge and skills, so as to ensure their health and safety and the safety of event operation. The Group also organised regular physical examinations for employees and the rate of receiving such examination was 100%.

During the reporting period, the Group did not violate the laws and regulations in relation to health and safety nor were there any work-related incidents of death or serious injury.

B3 Development and Training

Wisdom Sports attaches great importance to the nurturing of talent and enhancement of knowledge and strives to satisfy the development needs of staff from various positions. We have established a comprehensive training system to nurture talents with high comprehensive quality and strong management capability, hence developing an outstanding sports event operation and management team.

Training methods

- The Group organises a Staff Reading Workshop every Wednesday and Staff Training Session every Friday to ensure that the professional knowledge of its staff can keep pace with industry development;
- The Group has established the Shenzhen Training School and Research Center to nurture sports operation talent with comprehensive knowledge system;
- The Group arranged e-training courses to facilitate training of off-headquarters employees.

Details of training

- Orientation training for new employees: covering various aspects such as occupational health and safety, industry overview, etc.;
- Business personnel: Business training, analysis on and sharing of successful cases, analysis on latest market reports, etc.;
- Management: management training such as EMBA and analysis on latest market reports, etc.

In 2017, the staff training performance of the Group was as follows:

2017 Training Performance Table

Name of indicator	Unit	Value
Total number of training sessions	Times	26
Total number of participants	Persons	207
Expenditure on training	RMB ten thousand	20.40
Average training hours received by gender (Male)	Hours	67
Average training hours received by gender (Female)	Hours	39
Average training hours received by employment type – (Grassroots)	Hours	53
Average training hours received by employment type – (Middle-level)	Hours	46
Average training hours received by employment type – (Senior-level)	Hours	25

B4 Labour Standards

Wisdom Sports strictly complies with the Labor Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and the Provisions on the Prohibition of Using Child Labour and other laws and regulations in relation to labor standards, and strictly forbids the use of child labor and forced labor. The Group made sustained efforts to safeguard the legitimate rights of its staff. It has established a labour union and guaranteed independent operation of the union in accordance with the Trade Union Law of the People's Republic of China and other relevant requirements.

During the reporting period, the Group did not violate any laws and regulations in relation to labor standards.

The Group is also committed to provide a comfortable working environment as well as diversified and enriched cultural and leisure activities for its staff. The Group encourages it staff to decorate their work stations according to their personal preference so as to create a relaxing and pleasant working environment. Activities such as "Cultural Integration (文化融)", birthday parties and film screening were held on a regular basis. Moreover, the Group showed special care for the female employees by presenting little gifts to them on Women's Day and addressing and satisfying their reasonable needs.

B5 Supply Chain Management

The perfect operation process and result of sports operation are always the concerted efforts of various suppliers and partners. Accordingly, the Group pays great attention to its supply chain management. It has formulated regulations for supplier management to strictly control the admission of suppliers and exercise dynamic management over selected suppliers, and hence established a stable and efficient supply chain.

Admission of supplier	• The Group conducted comprehensive assessment on the qualification of its suppliers and partners to ensure the fairness and transparency of the screening process; • The Group carefully selected the media to cooperate with and reinforced its strong alliance with China Central Television and local satellite television stations; • The Group classified its advertisement sponsors into different categories and formulated different admission standards accordingly. Priorities will be given to internationally and domestically leading brand sponsors except for small events. In addition, all advertisements of the sponsors are subject to review by the Sports Event Organising Committee and local sports bureau for event operation to ensure that there are no false claims or exaggerated promotions.
Management of supplier	• The Group exercised dynamic management over selected suppliers and partners. Qualification of suppliers and partners are examined regularly to assure the quality and reasonable cost of products and services procured; • In case of breach of supplier management regulations, the Group shall issue a warning to the supplier or disqualify the supplier. In addition, in case of misconduct such as environmental pollution or breach of labor standards of suppliers or partners, the Group shall also disqualify the supplier or terminate the cooperation.

B6 Product Responsibility

Wisdom Sports strictly complies with the Sports Law of the People's Republic of China, the Anti-Doping Regulations and other relevant requirements. Adhering to the brand philosophy of "Wisdom in the mind and fitness in the body (智其身心、美其體魄)", the Group strives to provide professional and safe sports services for hundreds of millions of participants and promote green GDP growth through its marathon sports operation.

During the reporting period, the Group did not experience any major event involving breach of laws and regulations in relation to products and services.

B6.1 Professional Sports Services

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

In 2017, Wisdom Sports organised a total of 22 marathon events with a total of 400,000 participants.

Diversified products	• "Red Journey" marathon series; • "Reform and Opening-up" marathon series; • "One Belt, One Road" marathon series; • The right to operate the 2017-2019 Asian Marathon Championships.
Brand promotion	• Official WeChat account of Wisdom Sports; • Official Weibo account of Wisdom Sports; • Official Website of Wisdom Sports.
Interaction with participants	• Mailbox of Marathon Sports Event Organising Committee; • Pre-competition representative meeting of participants; • Runner Fans Club.

B6.2 Safe Sports Service

As a long-distance running sport, marathon may cause physical sickness to some of the participants due to the strong intensity of exercise. In order to ensure the safety of participants, Wisdom Sports optimizes its application management and sports events management system on a continuous basis so that the participants are offered with safe and reliable sports products.

During the reporting period, the Group has experienced no incidents of fatalities and serious injuries of participants as a result of its marathon events.

Application	• The Group formulated stringent application requirements based on the conditions of the marathon events: Applicants for full marathon shall provide a certified medical examination report dated within one year and a post-marathon report. Applicants for half-marathon shall provide a medical examination report dated within one year; • The Group puts great effort into protecting the privacy of its customers. Information of participant will be managed collectively by the back office of the Group to ensure information security; • The Group maintained insurance for participants with an insurance coverage of 100%.
Competition	• The Group cooperated with the relevant departments and authorities in places where it operates to select the appropriate time and routes for competition. Medical plans and security measures will be in place in advance and an emergency plan will be formulated; • The Group provided detailed competition guide on the official competition website, including information such as roadmap, location of supply points, washrooms and medical stations, weather forecast, etc.; • The Group invited physicians to participate in the marathon, and provided AED (Automated External Defibrillator) along the track and near the finish line to prevent accidents and ensure timely and effective rescue measures; • The Group set up appropriate track and grandstand. Special attention was paid to the zoning at the finish line to make sure there was a safe distance between the participants and the spectators.

B7 Anti-corruption

Wisdom Sports strictly abides by the Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the Interim Provisions on the Prohibition of Commercial Bribery by the State Administration for Industry and Commerce and other laws and regulations in relation to anti-corruption. The Group has effectively managed its corruption-sensitive segments and prevented the risk of non-compliance by formulating and implementing its anti-corruption policies.

During the reporting period, the Group was not involved in any litigation or corresponding penalties due to embezzlement, corruption and bribery.

Anti-corruption policies	• The Group has formulated anti-corruption policies and established a reasonable internal control system to clearly lay down the management measures for corruption-sensitive segments and forbid its staff from obtaining benefits through illegal means; • The Group has included anti-commercial bribery and anti-corruption clauses in its contracts to ensure a transparent procurement process.
Anti-corruption measures	• The Group has established an anti-corruption organisation led by its legal affairs department. The person-in-charge of each of the departments is responsible for the implementation of anti-corruption measures within the department; • The Group has established a rewarding anonymous reporting channel for anti-corruption to encourage whistle-blowing with strong protection for information about the whistle-blower; • The Group organised anti-corruption publicity and education for its staff on a regular basis.
Anti-corruption treatment	• The Group conducts investigations into staff involved in corruption, which might be submitted to the judicial authorities depending on the seriousness of the case.

B8 Community Investment

With continuous efforts over the years, Wisdom Sports has developed and established an increasing number of competitions with local relevance and higher standards, through which it has fulfilled its corporate social responsibilities in a unique way and contributed to the promotion of nationwide fitness.

Promotion of nationwide fitness	• The Group developed and operated diversified and multi-level marathon events; • The Group made voluntary promotion to the participants and audience of competitions by means of online promotion, and distribution of promotional materials at the event with a view to enhancing public awareness of nationwide fitness; • The Group reserved enrollment quota for the disabled in its marathon events to promote nationwide fitness among disadvantaged groups.
Engage in social welfare activities	• The Group organised the “Run for Love Marathon (為愛奔跑馬拉松)” and donated all enrollment fees of the charity run; • The Group organised marathon community volunteering groups to reach out to and serve the community; • The Group launched voluntary donation activities among its employees to donate daily necessities and school supplies to areas suffering from poverty; • The Group called for voluntary blood donation among its employees.

Case study: Reserve enrollment quota for the disabled to participate in marathons organised by Wisdom Sports

Wisdom Sports attaches great importance to providing equal opportunities to disadvantaged groups. As such, we have reserved special enrollment quota for the disabled in an increasing number of events. We are well aware that the most valuable experience of a sports competition is not only the results achieved, but the process to challenge and go beyond oneself and become a better person with strong vitality. The disabled participants perfectly demonstrated sportsmanship with real actions, which is also a testament to our brand philosophy of “Wisdom in the mind and fitness in the body (智其身心、美其體魄)” and our belief of “striving for health and happiness (為健康、為快樂)” and hence have great practical significance for realizing social equality and promoting social stability. Through the real actions of Wisdom Sports, we hope to lead the sports community to show more love and care to the disadvantaged group.

Directors' Report

The Directors are pleased to submit their annual report together with the audited financial statements for the year ended 31 December 2017.

GROUP REORGANISATION

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 reorganisation 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 reorganisation, please refer to the paragraph headed "Reorganisation" in the section headed "History and Reorganisation" to the Prospectus of the Company.

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, sports marketing and sports services, with a special emphasis on the development and extension of the sports industry chain.

The principal activities and other particulars of the Company's major subsidiaries are set out in Note 24 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 2017, the Group's operations were mainly subject to the following risks and uncertainties and these risks and uncertainties are continuing. If any of the circumstances or events described below actually arises or occurs, the business, results of operations, financial condition and prospects of the Group would likely suffer.

- With the continuous growth of the Company's business, and the ever-expanding scale of the Company, negative rumors about the Company or management may reach the capital markets, which may affect the Company's normal business, and even worse, have some impacts 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 suffer unexpected problems, such as sudden death. In addition, since marathon events in large cities attract a large number of participants (20,000–30,000 persons), such large-scale people gatherings may contain public safety risk, such as crowded stampede, terrorist attacks, etc. These above situations will affect the normal operation of the events and bring adverse impacts to the Company.

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

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

Financial Summary

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

Post Balance Sheet Events

Save as disclosed above, there was no occurrence of events that had a significant impact on the Group's operational, financial and trading prospects from 31 December 2017 to 28 March 2018 as being aware of by the Board.

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 2017.

Relationships with Employees, Customers, Suppliers and Others

The Group has maintained 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 operates. To ensure that the employees continue to cultivate skills and knowledge for the fulfillment of their duties and responsibilities, the Group has provided various training programs to its staff. Further information about the training attended by the Group's employees and their remuneration packages during the year ended 31 December 2017 is set out in the paragraph headed "Employees" under the Directors, Senior Management and Employees section of this annual report.

Major Customers and Suppliers

The Group kept excellent relationships with customers and suppliers, and had developed a diversified customer and supplier base during the year ended 31 December 2017. During the year ended 31 December 2017, the Group's five largest customers accounted for approximately 40.4% of the Group's total revenue from the rendering of services and the Group's largest customer for the year accounted for approximately 17.3% of the Group's revenue from the rendering of services. The Group's five largest suppliers accounted for approximately 53.7% of the Group's total purchases, while the largest supplier for the year accounted for approximately 17.9% 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 the television media industry to the sports culture industry. Among them, the Group has been in cooperative relationships with suppliers in the television media industry for 9 years, with suppliers in the sports industry for 4 to 6 years. The Group's five largest customers are engaged in business ranging from the advertising industry, the sports industry to the automobile industry, etc. Among them, the Group has been in cooperative relationships with customers in the advertising industry for 9 years, with customers in the automobile industry for 9 years and with customers in the sports industry for 6 years. The cooperative relationships with the five largest suppliers and customers lay a solid foundation for the operation and development of the Group.

RESULTS & DIVIDENDS

Results of the Group for the year ended 31 December 2017 are set out in the consolidated statements of profit or loss and other comprehensive income of this annual report. The Board recommends a payment of final dividend of RMB0.062 per Share for the year ended 31 December 2017 to the shareholders whose names appear on the register of members of the Company on Wednesday, 6 June 2018. The proposed declaration of final dividend is subject to the shareholders' approval at the AGM. The Company declared payment of an interim dividend of RMB0.038 per Share for the period ended 30 June 2017 to the shareholders whose names appeared on the register of members of the Company on Friday, 27 October 2017.

USE OF PROCEEDS FROM LISTING

The net proceeds from the issue of new shares of the Company in its global offering and the partial exercise of over-allotment option (after deducting the underwriting fees, capitalised professional service 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 2017, part of the proceeds was applied as follows:

The proceeds of RMB290.0 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 focuses on organising 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 2017 are set out in Note 32 to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law, amounted to approximately RMB295,339,000.

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 2017 are set out in Note 20 to the consolidated financial statements of this annual report.

BANK BORROWINGS AND INTEREST

The Company had no bank borrowings as at 31 December 2017.

DIRECTORS

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

Name	Title in the Company	Date of Appointment
Ms. Ren Wen	Chairlady and executive Director	21 March 2012
Mr. Zhang Han	Executive Director	14 June 2013
Mr. Song Hongfei	Executive Director	26 August 2016
Ms. Hao Bin	Executive Director	1 June 2017
Mr. Chen Zhijian	Independent non-executive Director	15 February 2018
Mr. Ip Kwok On Sammy	Independent non-executive Director	14 June 2013
Mr. Jin Guoqiang	Independent non-executive Director	14 June 2013

Note:

1. Ms. Hao Bin was appointed as an executive Director and Dr. Shen Wei resigned as an executive Director with effect from 1 June 2017.

2. Mr. Jin Haitao and Mr. Xu Jiongwei resigned as non-executive Directors with effect from 1 June 2017.

3. Mr. Wei Kevin Cheng resigned as independent non-executive Director with effect from 15 February 2018; while Mr. Chen Zhijian was appointed as an independent non-executive Director with effect from 15 February 2018.

In accordance with Article 83(3) of the Company's Articles of Association, Mr. Chen Zhijian will retire from the office as a Director at the forthcoming AGM of the Company. In accordance with Article 84 of the Company's Articles of Association, Mr. Zhang Han and Mr. Jin Guoqiang shall retire from the office as Directors by rotation at the conclusion of the forthcoming AGM of the Company. All of them, being eligible, will offer themselves for re-election at the AGM. Details of the Directors to be re-elected at the AGM of the Company are set out in the circular to shareholders.

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

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

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

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

As at 31 December 2017, the interests and short positions of the Directors or Chief Executive of the Company in the Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were 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)	602,780,000	37.84%
	Interest of controlled corporation (Note 2)	81,541,000	5.12%
Mr. Song Hongfei	Beneficial owner (Note 3)	215,000	0.23%
Ms. Hao Bin	Beneficial owner (Note 4)	250,000	0.02%

Notes:

1 Upon completion of the capitalisation issue, Queen Media Co., Ltd. ("**Queen Media**") became the direct owner of 602,780,000 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 81,541,000 Shares are held by Lucky Go Co., Ltd. Ms. Ren Wen holds approximately 73.48% equity interest in Lucky Go Co., Ltd. and she is deemed or taken to be interested in all the Shares held by Lucky Go Co., 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.

4 Ms. Hao Bin holds 100,000 Shares and 150,000 share options under the share option scheme of the Company (granted on 29 May 2015 with an exercise price of HK$8.036 per Share).

(ii) Long position in the shares of the associated corporations

Name of director	Name of associated corporation	Approximate percentage of shareholding interest
Ms. Ren Wen	Beijing Wisdom Media Holding Co., Ltd. (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 5)	100%
	Beijing Xinchuang Branding Co., Ltd. (北京新創智力品牌管理有限公司) (Note 5)	100%
	Beijing Wisdom Films Culture Media Co., Ltd. (北京智美映畫文化傳媒有限公司) (Note 5)	100%
	Beijing Kuawei Lianzhong Sports Development Co., Ltd. (北京跨維聯眾體育發展有限公司) (Note 5)	100%
Mr. Zhang Han	Beijing Wisdom Media	0.18%

Notes:

5 A wholly owned subsidiary of Beijing Wisdom Media.

Save as disclosed above, as at 31 December 2017, 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 THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at 31 December 2017, according to the register of interests kept by the Company under section 336 of the SFO, the following persons (not being a director or the chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position in the Shares

Name of director	Nature of interest	Number of Shares	Approximate percentage of shareholding interest
Trust Co	Interest of controlled corporation (Note 6)	602,780,000	37.84%
Credit Suisse Trust Limited	Trustee (Note 6)	602,780,000	37.84%
Queen Media	Beneficial owner (Note 6)	602,780,000	37.84%
Top Car Co., Ltd. (Note 7)	Beneficial owner	110,075,000	6.91%
Avance Holdings Limited	Beneficial owner	95,379,000	5.99%
Lucky Go Co., Ltd. (Note 7)	Beneficial owner	81,541,000	5.12%

Notes:

6 Queen Media is the direct owner of 602,780,000 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.

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

Save as disclosed above, as at 31 December 2017, the Company had not been notified by any persons (other than Directors or the Chief Executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' EMOLUMENTS

Details of the Directors' emoluments are set out in Note 15 to the consolidated financial statements of this annual report. The Directors' emoluments are determined with reference to their respective duties and responsibilities within the Company.

DIRECTORS' SERVICE CONTRACT

Our executive Directors have all entered into service contracts with our Company. Ms. Ren Wen has entered into a service contract with the Company for a term of three years commencing from 20 March 2015 which was renewed for a term of three years commencing from 20 March 2018; Mr. Zhang Han has entered into a service contract with the Company for a term of three years commencing on 14 June 2016; Mr. Song Hongfei has entered into a service contract with the Company for a term of three years commencing on 26 August 2016; whilst Ms. Hao Bin has entered into a service contract with the Company for a term of three years commencing on 1 June 2017.

Each of the executive Directors is entitled to emoluments. For details of the Directors' emoluments for the year ended 31 December 2017, please refer to the section headed "Directors' Emoluments" of this report. Their emoluments had been reviewed and are currently as follows:–

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

(ii) Mr. Zhang Han's emolument was increased to RMB128,000 per month since 1 March 2018;

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

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

Each of the independent non-executive Directors, namely, Mr. Ip Kwok On Sammy and Mr. Jin Guoqiang, has entered into an appointment contract with the Company for a term of three years commencing from 14 June 2016. Either party may terminate the appointment contract by giving the other party not less than six months' notice in writing. Mr. Chen Zhijian, an independent non-executive Director, has entered into an appointment contract with the Company for a term of three years commencing from 15 February 2018.

Each of the independent non-executive Directors is entitled to subsidies. For details of the independent non-executive Directors' subsidies, please refer to the section headed "Directors' Emoluments" of this report. Their subsidies had been reviewed and are currently as follows:–

(i) Mr. Chen Zhijian's subsidy was increased to RMB8,000 per month since 1 March 2018;

(ii) Mr. Ip Kwok On Sammy's subsidy was increased to RMB8,000 per month since 1 March 2018; and

(iii) Mr. Jin Guoqiang's subsidy was increased to RMB8,000 per month since 1 March 2018.

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 2017.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or any of their respective associates had any interest in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group during the year ended 31 December 2017.

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 2017.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the "**Share Option Scheme**") on 14 June 2013 for the purpose of recognising and acknowledging the contributions the eligible participants had or may have made to the Group, which became effective on the Listing Date. The Board may, at its discretion, grant options 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 authorised 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 10.04% 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. 75% of the options became exercisable on 23 May 2015, 23 May 2016 and 23 May 2017 and the remaining options will become exercisable on 23 May 2018, subject to the satisfaction of the individual performance assessment of the said grantees for the relevant year. The options granted are exercisable from the vesting dates mentioned above to 22 May 2024. For the year ended 31 December 2017, Mr. Song Hongfei, who was granted 215,000 options on 23 May 2014 pursuant to the Share Option Scheme, 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. 50% of the options became exercisable on 29 May 2016 and 29 May 2017 and the remaining options will become exercisable on 29 May 2018 and 29 May 2019 in 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 2017, Ms. Hao Bin, who was granted 150,000 options on 29 May 2015 pursuant to the Share Option Scheme, was appointed as an executive Director of the Company with effect from 1 June 2017.

For the year ended 31 December 2017, 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 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. 865,000 options lapsed due to the resignation of the employees for the year ended 31 December 2017 and no option was cancelled during such period. No option was granted by the Company for the year ended 31 December 2017.

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

For the year ended 31 December 2017, the Company repurchased a total of 16,103,000 Shares on the Stock Exchange and the details are set out below:

Trading date	No. of Shares bought back	Price per Share or highest price paid HK$	Lowest price paid HK$	Total paid HK$
30 March 2017	258,000	1.82	1.82	469,560
31 March 2017	1,140,000	1.84	1.84	2,097,600
3 April 2017	2,469,000	1.82	1.79	4,452,320
5 April 2017	640,000	1.84	1.83	1,174,720
6 April 2017	718,000	1.83	1.81	1,304,470
7 April 2017	1,126,000	1.82	1.80	2,039,920
10 April 2017	2,670,000	1.82	1.77	4,801,600
12 April 2017	3,845,000	1.72	1.65	6,507,410
28 April 2017	651,000	1.61	1.56	1,023,940
2 May 2017	343,000	1.62	1.59	551,300
4 May 2017	533,000	1.66	1.63	877,190
5 May 2017	576,000	1.65	1.61	935,160
8 May 2017	656,000	1.66	1.63	1,077,940
9 May 2017	478,000	1.66	1.63	787,700
Total:	16,103,000			28,100,830

The said Shares of the Company were cancelled on 21 July 2017. Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

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 2017 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 2017.

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., a wholly-owned subsidiary of the Company, whose name was changed to Beijing Wisdom Sports Industry Co., Ltd. ("**Beijing Wisdom Sports**"), and thus the Group with effective control over Beijing Wisdom Media and, to the extent permitted by PRC law and regulations, grant the right to the Group to acquire the equity interests in Beijing Wisdom Media upon the listing. The Structured Contracts were entered into on 24 June 2013 pursuant to which all material business activities of Beijing Wisdom Media are controlled and supervised by Beijing Wisdom Sports and all economic benefits and risks arising from the business of Beijing Wisdom Media are transferred to the Group. The Structured Contracts constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules.

Operating entities of the Group controlled through the Structured Contracts

During the year ended 31 December 2017, 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 Co., Ltd. (北京跨維聯眾體育發展有限公司), a limited liability company incorporated in the PRC and a direct wholly-owned subsidiary of Beijing Wisdom Media, principally engaged in operation of sports events, organisation of exhibitions and displays and organisation of functions relating to culture and art.

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 Beijing Wisdom Sports, Beijing Wisdom Media and/or the existing shareholders of Beijing Wisdom Media. Details of the respective salient terms of the five agreements are as follows:

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

  Beijing Wisdom Sports and Beijing Wisdom Media entered into an exclusive consulting and service agreement dated 24 June 2013, pursuant to which Beijing Wisdom Sports shall, on an exclusive basis, provide Beijing Wisdom Media with consulting and other related services. Pursuant to the agreement, Beijing Wisdom Sports shall, amongst other things: (i) form a strategic and cooperative 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 services.

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

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

- ***Irrevocable power of attorney***

  All of the shareholders of Beijing Wisdom Media executed an irrevocable power of attorney dated 24 June 2013, which enables the Company and the directors of the Company and their successors to exercise all the powers of the shareholders (including their successors and transferees) of Beijing Wisdom Media. Pursuant to the irrevocable power of attorney, the Company and the Directors of the Company and their successors shall exercise rights of all of the shareholders of Beijing Wisdom Media including but not limited to the 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 the relevant companies registry.

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

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

- ***Exclusive business operating agreement***

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

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

- ***Exclusive option agreement***

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

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

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

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

- ***Share pledge agreement***

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

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

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

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

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

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

Revenue and assets subject to the Structured Contracts

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

	Year ended 31 December 2017 (RMB'000)	Year ended 31 December 2016 (RMB'000)
Revenue	**5,748**	66,508
Net loss	**(10,269)**	(4,359)

	As at 31 December 2017 (RMB'000)	As at 31 December 2016 (RMB'000)
Total assets	**654,666**	735,355

For the year ended 31 December 2017, the revenue and net loss subject to the Structured Contracts amounted to approximately 1.5% and -10.1% of the revenue and net profit of the Group.

As at 31 December 2017, the total assets subject to the Structured Contracts amounted to approximately 49.1% of the total assets of the Group.

For the year ended 31 December 2016, the revenue and net loss subject to the Structured Contracts amounted to approximately 16.2% 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.

No services were provided by Beijing Wisdom Sports to Beijing Wisdom Media for the year ended 31 December 2017 and 2016.

Risks associated with the Structured Contracts

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

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

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

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

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

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

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

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

In light of the above risks associated with the Structured Contracts, the Group has adopted a set of procedures, systems and internal control measures to ensure the sound and effective operation of the Group and the implementation of the Structured Contracts. Such procedures, systems and internal control measures include: (i) regular discussions (on a no less frequent than a quarterly basis) of matters relating to compliance and regulatory enquiries from governmental authorities, if any, by Board at regular and extraordinary board meetings; (ii) regular reporting (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 reporting by the senior management of the Company to the Board on any non-compliance issues; (iv) retaining legal advisers and/or other professionals to assist the Group to deal with specific issues arising from the Structured Contracts, if so required; and (v) regular review on an annual basis by the independent non-executive Directors of the Company of 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 have agreed to give priority to, and not to cause any damage to, the interests of Beijing Wisdom Sports and the Company if there are any potential conflicts of interest amongst Beijing Wisdom Sports, the Company, Beijing Wisdom Media and its shareholders. Ms. Ren Wen, being the chairlady of the Company, has been appointed as the chairlady of the board of directors of Beijing Wisdom Media and has taken up the leading role in the governance of implementation of the financial and operating policies in respect of Beijing Wisdom Media in order to ensure that Beijing Wisdom Media will be managed and operated according to the Group's policies and the terms of the Structured Contracts.

Change of circumstances

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

Opinion 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 transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the shareholders as a whole.

Pursuant to Rule 14A.42(3) of the then effective Chapter 14A of the Listing Rules (now Rule 14A.105 of the Listing Rules), the Company has applied to the Stock Exchange, and the Stock Exchange has 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 Beijing Wisdom Sports under the Structured Contracts; and (iii) the requirement of limiting the term of the Structured Contracts to three years or less.

The 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 2017:

(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.

Confirmation from the Company's Independent Auditor

RSM Hong Kong, the Company's independent auditor, was engaged to report on the Group's continuing connected transactions contracted for the year ended 31 December 2017 in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business are provided under Note 41 to the consolidated financial statements of this annual report, none of which constitutes a disclosable connected transaction as defined under the Listing Rules.

CORPORATE GOVERNANCE

The principal corporate governance practices adopted by the Company are set out in the corporate governance report on pages 17 to 34 of this annual report.

ENVIRONMENTAL POLICIES AND SUSTAINABLE DEVELOPMENT

The environmental policies of the Group and its performance for the year ended 31 December 2017 are set out in the environmental, social and governance report on pages 35 to 48 of this annual report.

AUDITOR

Deloitte Touche Tohmatsu had been appointed as the auditor of the Company at the AGM held on 28 June 2016 following the retirement of PricewaterhouseCoopers.

The consolidated financial statements of the Company for the year ended 31 December 2016 had been audited by Deloitte Touche Tohmatsu. Deloitte Touche Tohmatsu has resigned with effect from 15 February 2018 as the auditor of the Company. RSM Hong Kong has been subsequently appointed as the auditor of the Company for the year ended 31 December 2017 with effect from 15 February 2018 to fill the vacancy immediately arising from the resignation of Deloitte Touche Tohmatsu and to hold office until the conclusion of the forthcoming AGM of the Company. For details, please refer to the Company's announcement dated 15 February 2018.

Save as disclosed above, the Company has not changed its external auditors up to the date of this report. A resolution for the re-appointment of RSM Hong Kong as the auditor of the Company will be proposed at the forthcoming 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 process and the review of the risk management and internal control systems as well as the internal audit function of the Group. The Audit Committee is composed of three independent non-executive Directors, namely, Mr. Chen Zhijian (chairman), Mr. Jin Guoqiang and Mr. Ip Kwok On Sammy. Mr. Wei Kevin Cheng ceased to be the Chairman of the Audit Committee and Mr. Chen Zhijian was appointed as the Chairman of the Audit Committee with effect from 15 February 2018.

The Audit Committee met with the external auditor of the Company to discuss the review process and accounting issues of the Company. The Audit Committee, together with management of the Company, has reviewed the audited consolidated financial statements for the year ended 31 December 2017 of the Group and considers them to be 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 Tuesday, 29 May 2018. 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 Thursday, 24 May 2018 to Tuesday, 29 May 2018, 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 Wednesday, 23 May 2018 for registration.

The record date for entitlement of the proposed final dividend is Wednesday, 6 June, 2018. For determining the entitlement to the proposed final dividend (if approved at the AGM), the register of members of the Company will be closed from Monday, 4 June 2018 to Wednesday, 6 June 2018, both days inclusive. During such period, no share transfers will be effected. In order to qualify for the proposed final dividend, all transfer documents, accompanied by the relevant share certificate(s), must be lodged with the office of the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Friday, 1 June 2018. It is expected that the final dividend will be paid on Friday, 15 June 2018.

On behalf of the Board

Ren Wen
Chairlady and executive Director

Hong Kong, 28 March 2018

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 42, 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 39, was appointed as 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 acted as a director of subsidiaries of the Company, including 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.

Mr. Song Hongfei (宋鴻飛), aged 47, was appointed as an executive Director on 26 August 2016. He 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 organisation of a number of international multi-sport events, including Beijing Olympic Games, East Asian Games, Guangzhou Asian Games and Universiade Shenzhen. Mr. Song obtained a bachelor's degree in physical education from Beijing Sport University in July 1996.

Ms. Hao Bin (郝彬), aged 37, joined in the Group in December 2010 and served as the deputy general manager of the Company. Ms. Hao was also appointed as a joint company secretary on 7 November 2016 and was appointed as an executive Director on 1 June 2017, respectively. 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 for several 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Zhijian (陳志堅), aged 42, was appointed as an independent non-executive Director on 15 February 2018. Mr. Chen has been a partner of Shanghai Certified Public Accountants (上會會計師事務所) since 2015. Mr. Chen was a partner of Zhongzhun Certified Public Accountants (中准會計師事務所) from 2014 to 2015, a senior partner of Shenzhen Bangde Certified Public Accountants (深圳邦德會計師事務所) from 2008 to 2014, and the Internal Control Head of the financial department of Foryou Corporation of Huizhou (惠州市華陽集團) from 2003 to 2007. Mr. Chen has around 15 years of experience in audit, accounting and financial management. Mr. Chen graduated from Henan College of Finance and Taxation (河南財政稅務學校) in 2000, majoring in financial accounting of the Department of Accounting.

Mr. Ip Kwok On Sammy (葉國安), aged 55, was appointed as an independent non-executive Director on 14 June 2013. Mr. Ip is the Administrative Director of Westpac LED Lighting, Inc. and Chief Executive Officer of Global Link Distribution, Inc. 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 72, was appointed as an independent non-executive Director on 14 June 2013. Mr. Jin has been an independent non-executive Director of Beijing Wisdom Media since April 2011. Mr. Jin has been an 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 was appointed as an advisor to the Cross Media Institute (泛媒體分賬研究院) in 2011. He has also been an Executive Officer of the Association of China Commercial Enterprise Management (中國商業企業管理協會市場行銷分會) and a member of its expert committee since December 2009. Mr. Jin was a member of the adjudication panel of the 2010 China Advertising Great-Wall Awards for Advertisers (2010年廣告主長城獎), and a member of the expert's commission of the 17th China International Advertising Festival (中國國際廣告節) in 2010.

SENIOR MANAGEMENT

Ms. Ren Wen (任文), 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.

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

Ms. Hao Bin (郝彬), our executive Director, deputy general manager and a joint company secretary. For Ms. Hao's biography, please refer to the subsection headed "Executive Directors" above.

JOINT COMPANY SECRETARIES

Ms. Hao Bin (郝彬), our executive Director, deputy general manager and a joint company secretary. For Ms. Hao's biography, please refer to the subsection headed "Executive Directors" above.

Ms. Kam Mei Ha Wendy (甘美霞), aged 50, was appointed as a 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 over 20 years of experience in the field of company secretarial work. (Note: the Company engaged Tricor Services Limited as an external service provider and appointed Ms. Kam as Joint Company Secretary of the Company with effect from 16 December 2013.)

EMPLOYEES

As at 31 December 2017, the Group had 81 employees in total. The table below shows a breakdown of the Group's employees by their responsibilities:

	Number of employees
Sales and marketing	22
Sports competitions and events	27
Management and administration	32
Total	81

The Group implements a remuneration policy that is competitive in the industry, and pays commissions and discretionary bonuses to its sales personnel and other employees with reference to the performance of the Group and individual employees. The total cost of the employees for the year ended 31 December 2017 amounted to RMB28,118,000. Remuneration for employees is based on their qualifications, experience, job nature, performance and market conditions.

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

In accordance with the corporate development strategies along with the practical business needs, the Group has provided various training programs to its staff according to their positions via a number of channels, including induction courses for new staff, training of professional knowledge in connection with finance, internal control and evaluation of the value of each position, etc., as well as different special trainings. The Group also selects potential management staff to receive advance 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 2017, 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 report.

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Wisdom Sports Group (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 80 to 159, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of 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 5(b)(ii) to the consolidated financial statements, the impairment of trade receivables is considered a key source of estimation uncertainty. Details of allowance for impairment of trade receivables are disclosed in notes 5(b)(ii) and 28 to the consolidated financial statements.	Our procedures included: – testing trade receivables aging 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 impairment of trade receivables, and for material past-due trade receivables, corroborating management's assessment by considering factors such as the aging analysis, payment history of the customers, subsequent collections from customers and the Group's previous experience of bad debt exposure.
Impairment of loans to companies	
We identified the impairment of loans to companies as a key audit matter due to the significant amounts and the significant management estimation and judgement regarding the identification of impairment of loans to companies and the amounts of impairment required. The Company's disclosures about loans to companies are included in notes 5(b)(ii) and 29 to the consolidated financial statements.	Our procedures included: – obtaining the loan contracts and approval documentation from the management; – ascertaining the financial position of the borrowers, performing company searches on the borrowers, obtaining confirmations from the borrowers on the outstanding balances and checking subsequent settlements of the interest after the end of the reporting date; and – evaluating management's assessment of the recoverability of the loans, with reference to the available financial information of the borrowers, their previous credit history and settlements of interest.

OTHER INFORMATION

The Directors are responsible for the Other Information. The Other Information comprises all of the information included in the Company's 2017 annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RSM Hong Kong
Certified Public Accountants
Hong Kong
28 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000 (restated)
Continuing operations			
Revenue	8	**371,463**	410,155
Cost of services		**(240,845)**	(273,636)
Gross profit		**130,618**	136,519
Other income	9	**26,113**	33,373
Other (losses)/gains	10	**(8,770)**	8,729
Selling and distribution expenses		**(24,532)**	(23,963)
General and administrative expenses		**(51,144)**	(54,829)
Profit from operations		**72,285**	99,829
Share of results of associates		**(2,765)**	235
Share of result of a joint venture		**(1,772)**	3,786
Profit before tax		**67,748**	103,850
Income tax expense	12	**(35,460)**	(33,906)
Profit for the year from continuing operations	13	**32,288**	69,944
Discontinued operations	17		
Profit for the year from discontinued operations		**69,300**	23,419
Profit for the year attributable to owners of the Company		**101,588**	93,363

For the year ended 31 December 2017

	Note	**2017** **RMB'000**	2016 RMB'000 (restated)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Fair value change in available-for-sale financial assets		**(1,890)**	–
Other comprehensive income for the year, net of tax		**(1,890)**	–
Total comprehensive income for the year attributable to owners of the Company		**99,698**	93,363
Earnings per share attributable to owners of the Company	19		
From continuing and discontinued operations			
Basic and diluted		**RMB0.06**	RMB0.06
From continuing operations			
Basic and diluted		**RMB0.02**	RMB0.04

Consolidated Statement of Financial Position

At 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	20	**20,870**	22,970
Investment properties	21	**18,212**	19,472
Goodwill	22	**105**	105
Intangible assets	23	**8,868**	3,855
Available-for-sale financial assets	25	**54,850**	39,000
Other receivables	29	**50,000**	255,069
Investments in associates	26	**92,271**	5,835
Investment in a joint venture	27	**–**	31,286
Deferred tax assets	35	**2,042**	–
Total non-current assets		**247,218**	377,592
Current assets			
Trade receivables	28	**172,607**	219,087
Other receivables	29	**469,301**	107,453
Prepayments and other current assets	30	**118,829**	119,941
Cash and cash equivalents	31	**324,434**	524,450
Total current assets		**1,085,171**	970,931
TOTAL ASSETS		**1,332,389**	1,348,523
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	32	**2,454**	2,479
Reserves	34	**1,210,319**	1,195,001
TOTAL EQUITY		**1,212,773**	1,197,480

At 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
LIABILITIES			
Current liabilities			
Trade payables	36	**68,782**	113,285
Other payables and accrued expenses		**18,177**	19,399
Advance from customers		**6,244**	8,637
Income tax payables		**26,413**	9,722
Total current liabilities		**119,616**	151,043
TOTAL LIABILITIES		**119,616**	151,043
TOTAL EQUITY AND LIABILITIES		**1,332,389**	1,348,523
NET CURRENT ASSETS		**965,555**	819,888

Approved by the Board of Directors on 28 March 2018 and are signed on its behalf by:

Ren Wen
Director

Zhang Han
Director

Consolidated Statement of Changes In Equity

For the year ended 31 December 2017

	Attributable to owners of the Company							
	Share capital RMB'000 (note 32)	Share premium RMB'000 (note 34(b)(i))	Share-based payments reserve RMB'000 (note 34(b)(ii))	Statutory reserve RMB'000 (note 34(b)(iii))	Other reserve RMB'000 (note 34(b)(iv))	Investment revaluation reserve RMB'000 (note 34(b)(v))	Retained profits RMB'000	Total RMB'000
At 1 January 2016	2,479	337,352	2,336	39,564	81,902	–	638,536	1,102,169
Total comprehensive income for the year	–	–	–	–	–	–	93,363	93,363
Statutory reserve appropriation	–	–	–	176	–	–	(176)	–
Share-based payments	–	–	1,948	–	–	–	–	1,948
Changes in equity for the year	–	–	1,948	176	–	–	93,187	95,311
At 31 December 2016	2,479	337,352	4,284	39,740	81,902	–	731,723	1,197,480
At 1 January 2017	2,479	337,352	4,284	39,740	81,902	–	731,723	1,197,480
Total comprehensive income for the year	–	–	–	–	–	(1,890)	101,588	99,698
Payment of 2017 interim dividend (note 18)	–	(60,532)	–	–	–	–	–	(60,532)
Statutory reserve appropriation	–	–	–	45,586	–	–	(45,586)	–
Share-based payments	–	–	1,203	–	–	–	–	1,203
Shares repurchased and cancelled	(25)	(25,051)	–	–	–	–	–	(25,076)
Changes in equity for the year	(25)	(85,583)	1,203	45,586	–	(1,890)	56,002	15,293
At 31 December 2017	2,454	251,769	5,487	85,326	81,902	(1,890)	787,725	1,212,773

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax			
Continuing operations		**67,748**	103,850
Discontinued operation		**92,400**	31,226
		160,148	135,076
Adjustments for:			
Amortisation of intangible assets	23	**3,268**	637
Depreciation of investment properties	21	**1,260**	1,260
Depreciation of property, plant and equipment	20	**3,053**	3,568
Loss on disposal of property, plant and equipment	10	**–**	603
Allowance for impairment of trade receivables	10	**6,581**	14,099
Allowance for impairment of other receivables	10	**225**	327
Interest income from principal-protected investments	9	**(5,796)**	(6,992)
Interest income from other receivables	9	**(10,432)**	(417)
Interest income from short-term bank deposits	9	**(668)**	(4,269)
Share of results of associates		**2,765**	(235)
Share of result of a joint venture		**1,772**	(3,786)
Gain on disposal of a joint venture	10	**(1,301)**	–
Gain on disposal of a subsidiary	17/10	**(92,400)**	(28,000)
Share-based payments expenses	37	**1,203**	1,948
Impairment of available-for-sale financial assets	10	**3,260**	–
Exchange losses/(gains)	10	**1,033**	(460)
Operating profit before working capital changes		**73,971**	113,359
Decrease in trade receivables		**29,900**	101,685
Decrease/(increase) in prepayments and other current assets		**1,111**	(20,550)
Decrease/(increase) in other receivables		**54,951**	(13,490)
Decrease in financial assets at fair value through profit or loss		**–**	6,563
(Decrease)/increase in trade payables		**(34,503)**	79,353
(Decrease)/increase in other payables and accrued expenses		**(1,223)**	3,955
Decrease in advance from customers		**(2,393)**	(81)
Cash generated from operations		**121,814**	270,794
Income tax paid		**(43,905)**	(18,747)
Net cash generated from operating activities		**77,909**	252,047

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000 (restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of assets through acquisition of a subsidiary	38(b)	**(8,000)**	–
Decrease/(increase) in amounts due from related companies		**2,150**	(10,077)
Interest income from principal-protected investments	9	**5,796**	6,992
Interest income from other receivables		**3,323**	–
Interest income from short-term bank deposits	9	**668**	4,269
Purchases of intangible assets	23	**(281)**	(274)
Purchases of property, plant and equipment	20	**(953)**	(16,526)
Payments for investments in associates		**(83,956)**	(5,600)
Payment for investment in a joint venture	26(c)	**–**	(27,500)
Dividend received from a joint venture		**3,069**	–
Proceed from disposal of a joint venture	26(c)	**22,500**	–
Proceed from disposal of a subsidiary	17/38(a)	**55,400**	1,400
Purchase of available-for-sale financial assets		**(21,000)**	(3,000)
Purchase of treasury product		**(55,000)**	(200,000)
Payment for fund investment in a partnership		**(50,000)**	–
Loans to companies		**(65,000)**	–
Net cash used in investing activities		**(191,284)**	(250,316)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of 2017 interim dividend	18	**(60,532)**	–
Share repurchased and cancelled	32(a)	**(25,076)**	–
Net cash used in financing activities		**(85,608)**	–
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(198,983)**	1,731
Effect of foreign exchange rate changes		**(1,033)**	460
CASH AND CASH EQUIVALENTS AT 1 JANUARY	31	**524,450**	522,259
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	31	**324,434**	524,450

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

Wisdom Sports Group (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (2012 Revision) of the Cayman Islands on 21 March 2012 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its ultimate controlling party is Ms. Ren Wen, who is also the Chairlady of the Board and President of the Company. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company in China is No. 43, Building B, 25 Xiaoyun Road, Chaoyang District, Beijing, the People's Republic of China (the "**PRC**"). The Company and its subsidiaries (collectively referred to as the "**Group**") is principally engaged in the provision of events operation and marketing services, sports services and advertising program and branding services in the PRC.

The Company is an investment holding company. The principal activities of its major subsidiaries are set out in note 24 to the consolidated financial statements.

2. BASIS OF PREPARATION

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

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

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

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2017. None of these impact on the accounting policies of the Group.

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

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2017. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9 *Financial Instruments*	1 January 2018
HKFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Amendments to HKAS 40 *Investment Property: Transfers of investment property*	1 January 2018
HKFRS 16 *Leases*	1 January 2019
HK(IFRIC) 23 *Uncertainty over Income Tax Treatments*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 9 Financial Instruments

HKFRS 9 will replace HKAS 39 *Financial Instruments: Recognition and Measurement.* HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that existed on that date, the Directors of the Company have assessed the impact of HKFRS 9 to the Group's consolidated financial statements as follows:

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

(b) New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 9 Financial Instruments (continued)

(a) Classification and measurement

The Group expects to irrevocably designate those listed and unlisted equity securities currently classified as available-for-sale as at fair value through other comprehensive income.

Fair value gains and losses on these instruments will no longer be recycled to profit or loss on disposal. Impairment losses on equity securities will no longer be recognised in profit or loss but rather in other comprehensive income. In addition, the Group currently measures certain unlisted equity securities at cost less impairment. Under HKFRS 9 these instruments will be measured at fair value.

(b) Impairment

HKFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the assets and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, if the Group were to adopt the new impairment requirements at 31 December 2017, accumulated impairment loss at that date would not be significantly impacted.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18 *Revenue*, which covers revenue arising from sale of goods and rendering of services.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

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

(b) New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 15 Revenue from Contracts with Customers (continued)

(a) Timing of revenue recognition

Revenue arising from (i) Events Operation and Marketing (providing marketing services in conjunction with sports-related competitions), (ii) Sports Services (providing services to government, marathon runners and media companies in conjunction with sports-related competitions) and (iii) Advertising Program and Branding (provision of advertising and directing, filming and producing video programs for television stations and program production services) is currently recognised in accordance with the Group's accounting policies set out in note 4(r).

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has been passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

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 obligation, 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.

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

(b) New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 16 Leases

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

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

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

As disclosed in note 40(a), the Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to RMB11,205,000 as at 31 December 2017. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

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

(a) Consolidation

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Business combination and goodwill

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

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

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

(c) Associates

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Associates (continued)

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

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

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

(d) Joint arrangements

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Joint arrangements (continued)

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

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

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, plant and equipment

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

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

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

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

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

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

(g) Leases

The Group as lessee

(i) Operating leases

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

Prepaid land lease payments are stated at cost and subsequently amortised on the straight-line basis over the remaining term of the lease.

The Group as lessor

(i) Operating leases

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Intangible assets

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

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

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

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

(i) Investment properties

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

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

(j) Recognition and derecognition of financial instruments

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

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(k) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial assets (continued)

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss. Interest calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss.

Investments in equity instruments 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 instruments, are measured at cost less impairment losses.

(l) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(m) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Discontinued operations

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

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

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

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

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

(o) Financial liabilities and equity instruments

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

(p) Trade and other payables

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

(q) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(i) Events Operation and Marketing

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

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

(ii) Sports Services

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

(iii) Advertising Program and Branding

Advertising 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 is 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, bearing inventory risk, having latitude in establishing price and exposing 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, without bearing any inventory risk and meeting other net basis indicators, revenue recognised is the net amount of commission made.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Revenue recognition (continued)

(iii) Advertising Program and Branding (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.

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

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

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

(s) Employee benefits

(i) Pension obligations

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

(ii) Termination benefits

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

(t) Share-based payments

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Government grants

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

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

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

(v) Taxation

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Impairment of non-financial assets

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

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

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

(x) Impairment of financial assets

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Impairment of financial assets (continued)

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

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

(y) Provisions and contingent liabilities

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

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

(z) Events after the reporting period

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

(a) Critical judgements in applying accounting policies

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

(i) Revenue recognition

The Group determines whether to recognise advertising revenue on a gross or net basis by assessing the terms of the service agreements, the facts and circumstances of the relationship with its customer and other specific indicators (see note 4(r)(iii)). These indicators are subjective in nature and require judgment from management.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

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

(ii) Structured contracts

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

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

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

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

(b) Key sources of estimation uncertainty

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

(i) Property, plant and equipment and depreciation

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

The carrying amount of property, plant and equipment as at 31 December 2017 was RMB20,870,000 (2016: RMB22,970,000).

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

(b) Key sources of estimation uncertainty (continued)

(ii) Impairment of trade and other receivables

The Group makes impairment of trade and other receivables based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and allowance for impairment of trade and other receivables in the year in which such estimate has been changed.

As at 31 December 2017, allowance for impairment of trade and other receivables amounted to RMB20,680,000 (2016: RMB14,099,000) and RMB4,652,000 (2016: RMB4,427,000), respectively.

(iii) Income taxes

The Group is subject to income taxes in the PRC. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, RMB35,460,000 (2016: RMB33,906,000) of income tax was charged to profit or loss based on the estimated profit from continuing operations.

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

(b) Price risk

The Group is exposed to equity price risk mainly through its investment in equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities quoted on the stock exchange in the PRC. The price risk is not significant to the Group.

6. FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise credit risk, the Directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the Directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

Other than concentration of credit risk on several significant balances in trade and other receivables, the Group does not have any other significant concentration of credit risk. The remaining of trade and other receivables consists of a large number of customers, spread across diverse industries and geographical areas.

The Group's cash and cash equivalents are deposited with banks in the PRC and Hong Kong banks. The Group has policies in place to limit the exposure to any single financial institution.

(d) Liquidity risk

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

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

	On demand or within 1 year RMB'000
At 31 December 2017	
Trade payables	**68,782**
Other payables	**12,920**
	81,702
At 31 December 2016	
Trade payables	113,285
Other payables	13,191
	126,476

6. FINANCIAL RISK MANAGEMENT (continued)

(e) Categories of financial instruments at 31 December

	2017 RMB'000	2016 RMB'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**966,342**	902,042
Available-for-sale financial assets	**54,850**	39,000
Financial liabilities:		
Financial liabilities measured at amortised cost	**86,959**	132,684

(f) Fair values

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

7. FAIR VALUE MEASUREMENTS

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

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

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

7. FAIR VALUE MEASUREMENTS (continued)

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

Description	Fair value measurements using: Level 2 RMB'000	Total 2017 RMB'000
Recurring fair value measurements:		
Financial assets		
Available-for-sale financial assets		
Listed equity securities in the PRC (note 25)	19,110	19,110
Total	19,110	19,110

There was no listed equity securities under available-for-sale financial assets held by the Group as at 31 December 2016.

(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2017:

The Group's management is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes. The Executive Director reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the Executive Director and the Board of Directors at twice a year.

Level 2 fair value measurements

			Fair value			
			2017 RMB'000		2016 RMB'000	
Description	Valuation technique	Inputs	Assets	Liabilities	Assets	Liabilities
Available-for-sale financial assets	Market approach	Share transaction	19,110	-	–	–

8. REVENUE

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

	2017 RMB'000	2016 RMB'000 (restated)
Events sponsorship income	**257,906**	229,323
Sports services income		
– Events organisation income	**67,802**	50,266
– Sales of broadcasting rights of events	**29,340**	142
– Individual consumption	**16,415**	15,427
Sales of commercial rights of events		
– Mass sports events	**–**	79,245
Advertising income	**–**	35,752
	371,463	410,155

9. OTHER INCOME

	2017 RMB'000	2016 RMB'000 (restated)
Continuing operations		
Interest income from principal-protected investments (note (a))	**5,796**	6,992
Interest income from other receivables	**10,432**	417
Interest income from short-term bank deposits	**668**	4,269
Government grants (note (b))	**8,516**	20,395
Rental income from investment properties	**465**	1,294
Others	**236**	6
	26,113	33,373

Notes:

(a) The Group invested in unlisted treasury products issued by commercial banks in the PRC. The principals of these investments are guaranteed by the corresponding commercial banks. The investments are denominated in RMB and with maturity periods within three months. The rates of return range from 2.0% to 4.5% per annum.

(b) The Group benefits from government grants in the form of tax refund from governmental bodies of Fuzhou, Jiangxi Province for the years ended 31 December 2016 and 2017 and Tianjin City for the year ended 31 December 2016 only as a result of their contribution for developing the cultural and media industry in the respective cities.

10. OTHER (LOSSES)/GAINS

	2017 RMB'000	2016 RMB'000
Continuing operations		
Allowance for impairment of trade receivables (note 28)	**(6,581)**	(14,099)
Allowance for impairment of other receivables	**(225)**	(327)
Exchange (losses)/gains	**(1,033)**	460
Gain on disposal of a subsidiary	**–**	28,000
Gain on disposal of a joint venture	**1,301**	–
Impairment of available-for-sale financial assets (note 25)	**(3,260)**	–
Loss on disposal of property, plant and equipment	**–**	(603)
Others	**1,028**	(4,702)
	(8,770)	8,729

11. SEGMENT INFORMATION

Information reported to the Chief Executive Officer, being the chief operating decision maker ("**CODM**"), for the purpose of resources allocation and assessment of segment performance focuses on types of services provided.

In the prior year, the Group had two operating divisions which represented two reportable operating segments namely, (a) Events Operation and (b) Advertising Program and Branding. In the current year, the Group changed its internal reporting structure and separated a new operating division from Events Operation called "Sports Services". Subsequent to the change of the internal reporting structure, the Group has three reportable operating segments, which are (a) Events Operation and Marketing; (b) Sports Services and (c) Advertising Program and Branding. Prior year's segment disclosure has been restated to conform to the current year's presentation. The segment information reported does not include any amounts for the discontinued operations, which are described in more detail in Discontinued Operations (see note 17).

11. SEGMENT INFORMATION (continued)

The Group's operating and reportable segments are as follows:

Events Operation and Marketing	Providing mainly marketing services in conjunction with sports-related competitions. Types of revenue include corporate sponsorship income and sales of commercial rights of events.
Sports Services	Providing services to government, marathon runners and media companies in conjunction with sports-related competitions. Types of revenue include events organisation income, sales of the broadcasting rights of events and individual consumption.
Advertising Program and Branding	Provision of advertising and directing, filming and producing video programs for television stations and program production services. Type of revenue includes advertising income.

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

The accounting policies of the operating segments are the same as those described in note 4(r)(i) to (iii) to the consolidated financial statements.

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

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

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

11. SEGMENT INFORMATION (continued)

The segment information provided to the CODM for the reportable segments for the years ended 31 December 2017 and 2016 is as follows:

Year ended 31 December 2017

	Events Operation and Marketing RMB'000	Sports Services RMB'000	Advertising Program and Branding RMB'000	Total RMB'000
Revenue				
Events sponsorship income	257,906	–	–	257,906
Sports services income				
– Events organisation income	–	67,802	–	67,802
– Sales of broadcasting rights of events	–	29,340	–	29,340
– Individual consumption	–	16,415	–	16,415
Total segment revenue	257,906	113,557	–	371,463
Cost of services	(179,565)	(61,280)	–	(240,845)
Segment results	78,341	52,277	–	130,618
Other income				26,113
Other losses				(8,770)
Selling and distribution expenses				(24,532)
General and administrative expenses				(51,144)
Share of results of associates				(2,765)
Share of result of a joint venture				(1,772)
Income tax expense				(35,460)
Profit for the year from continuing operations				32,288

11. SEGMENT INFORMATION (continued)

Year ended 31 December 2016 (restated)

	Events Operation and Marketing RMB'000	Sports Services RMB'000	Advertising Program and Branding RMB'000	Total RMB'000
Revenue				
Events sponsorship income	229,323	–	–	229,323
Sports services income	–	–	–	–
– Events organisation income	–	50,266	–	50,266
– Sales of broadcasting rights of events	–	142	–	142
– Individual consumption	–	15,427	–	15,427
Sales of commercial rights of events				
– Mass sports events	79,245	–	–	79,245
Advertising income	–	–	35,752	35,752
Total segment revenue	308,568	65,835	35,752	410,155
Cost of services	(204,081)	(40,044)	(29,511)	(273,636)
Segment results	104,487	25,791	6,241	136,519
Other income				33,373
Other gains				8,729
Selling and distribution expenses				(23,963)
General and administrative expenses				(54,829)
Share of results of associates				235
Share of result of a joint venture				3,786
Income tax expense				(33,906)
Profit for the year from continuing operations				69,944

11. SEGMENT INFORMATION (continued)

Revenue from major customer(s):

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

	2017 RMB'000	2016 RMB'000 (restated)
Customer A	**64,398**	59,838

The revenue was generated from Events Operation and Marketing segment.

12. INCOME TAX EXPENSE

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

	2017 RMB'000	2016 RMB'000 (restated)
Current tax		
Provision for the year – the PRC	**37,938**	33,906
Over-provision in prior years	**(436)**	–
	37,502	33,906
Deferred tax (note 35)	**(2,042)**	–
	35,460	33,906

12. INCOME TAX EXPENSE (continued)

No provision for Hong Kong Profits Tax at a rate of 16.5% (2016: 16.5%) was required since the Group had no assessable profits for the years ended 31 December 2016 and 2017.

PRC Corporate Income Tax has been provided at a rate of 25% (2016: 25%).

Pursuant to the PRC law on Corporate Income Tax, 10% withholding income tax will be levied on foreign investors for dividend distribution from foreign invested enterprises' profit earned after 1 January 2008. For qualified investors incorporated in Hong Kong, a treaty rate of 5% will be applied.

Tax charged on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

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

	2017 RMB'000	2016 RMB'000 (restated)
Profit before tax	**67,748**	103,850
Tax at the respective applicable tax rates	**18,531**	25,962
Tax effect of share of results of associates	**691**	(59)
Tax effect of share of result of a joint ventures	**443**	(946)
Tax effect of income that is not taxable	**(1,739)**	–
Tax effect of expenses that is not deductible	**3,016**	2,060
Net tax effect of temporary differences not recognised	**(473)**	3,606
Tax effect of tax losses not recognised	**7,427**	3,283
Withholding tax	**8,000**	–
Over-provision in prior years	**(436)**	–
Income tax expense	**35,460**	33,906

13. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

The Group's profit for the year is stated after charging the following:

	2017 RMB'000	2016 RMB'000 (restated)
Amortisation of intangible assets (note 23)	**3,268**	637
Depreciation of property, plant and equipment (note 20)	**3,053**	3,568
Depreciation of investment properties (note 21)	**1,260**	1,260
Loss on disposals of property, plant and equipment (note 10)	**–**	603
Operating lease charges		
– Office premises	**7,389**	10,638
Staff costs (note 14)		
– Salaries, bonuses and allowances	**22,644**	34,414
– Retirement benefits scheme contributions	**4,271**	9,853
– Share-based payments	**1,203**	1,948
Auditor's remuneration	**5,600**	2,550
Allowance for impairment of trade receivables (note 28)	**6,581**	14,099
Allowance for impairment of other receivables	**225**	327
Impairment of available-for-sale financial assets (note 25)	**3,260**	–

14. EMPLOYEE BENEFITS EXPENSE

	2017 RMB'000	2016 RMB'000 (restated)
Continuing operations		
Employee benefits expense:		
Salaries, bonuses and allowances	**22,644**	34,414
Retirement benefit scheme contributions	**4,271**	9,853
Share-based payments (note 37)	**1,203**	1,948
	28,118	46,215

14. EMPLOYEE BENEFITS EXPENSE (continued)

(a) Five highest paid individuals

The five highest paid individuals in the Group during the year included three Directors and one Director who ceased to act as Executive Director but continues to be the Senior Vice President of the Company (2016: four) whose Directors' emoluments are reflected in the analysis presented in note 15(a). The emoluments of two individuals (2016: one), including emoluments of one individual who ceased to act as Executive Director but continues to be the Senior Vice President of the Company, are set out below:

	2017 RMB'000	2016 RMB'000
Fees	22	–
Salaries and allowances	1,986	854
Discretionary bonus	–	–
Share-based payments	–	–
Retirement benefit scheme contributions	15	–
	2,023	854

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
HK$0 to HK$1,000,000	1	1
HK$1,000,001 to HK$2,000,000	1	–
	2	1

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The emoluments of every Director are set out below:

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

15. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' emoluments (continued)

	Emoluments paid or receivable in respect of a person's services as a Director, whether of the Company or its subsidiary undertaking				
	Fees RMB'000	Salaries and allowances RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Equity-settled share option expenses RMB'000	Total RMB'000
Executive Directors					
Ms. Ren Wen	51	1,031	75	–	1,157
Mr. Zhang Han	51	981	61	–	1,093
Mr. Song Hongfei (note (a))	18	840	81	47	986
Dr. Shen Wei (note (c))	51	915	28	–	994
Mr. Sheng Jie (note (e))	34	591	65	–	690
Non-executive Directors					
Mr. Jin Haitao (note (c))	–	–	–	–	–
Mr. Xu Jiongwei (note (c))	51	110	32	–	193
Independent Non-executive Directors					
Mr. Ip Kwok On Sammy	51	–	–	–	51
Mr. Jin Guoqiang	51	–	–	–	51
Mr. Wei Kevin Cheng (note (d))	206	–	–	–	206
Total for the year ended 31 December 2016	564	4,468	342	47	5,421

Notes:

(a) Mr. Song Hongfei was appointed as an Executive Director of the Company with effect from 26 August 2016.

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

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

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

(e) Mr. Sheng Jie resigned on 26 August 2016.

15. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' emoluments (continued)

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

Mr. Jin Haitao waived emoluments of RMB51,000 for the year ended 31 December 2016. Except for Mr. Jin Haitao, no other Director waived or has agreed to waive any emoluments for the years ended 31 December 2016 and 2017.

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

Except for the transactions with the related companies in which Ms. Ren Wen, the Executive Director of the Company, had a material interest mentioned in note 41, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company, any of its fellow subsidiaries, its holding companies or its subsidiaries was a party and in which the Directors of the Company or the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

16. RETIREMENT BENEFIT SCHEMES CONTRIBUTIONS

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

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

17. DISCONTINUED OPERATIONS

In 2016, the Group entered into an agreement with Beijing Enbiou Sports Management Co., Ltd. ("**NBL Company**") to obtain the exclusive commercial right of 2016-2019 National Men's Basketball League ("**NBL**") from NBL Company.

On 10 February 2017, the Group entered into an Equity Transfer Agreement to dispose of a subsidiary, Shenzhen Wisdom Basketball Industry Co., Ltd. ("**SWBI**"), which carried out all of the Group's NBL event operation at a consideration of RMB116,000,000 (the "**Disposal**"). The Disposal was effected in order to access other opportunities with additional funds for the expansion of the Group's other businesses. The Disposal was completed on 10 May 2017 and control of SWBI passed to the acquirer on the same day. After the Disposal, the Group discontinued the NBL event operation. The Group treated this operation as discontinued operations.

	2017 RMB'000	2016 RMB'000
Profit for the year of NBL event operation	–	23,419
Gain on disposal of NBL event operation	69,300	–
	69,300	23,419

Profit for the year from discontinued operations:

	2017 RMB'000	2016 RMB'000
Revenue	–	70,755
Cost of services	–	(33,981)
Gross profit	–	36,774
Selling and distribution expenses	–	(2,535)
General and administrative expenses	–	(3,013)
Profit before tax	–	31,226
Income tax expense	–	(7,807)
Gain on disposal	92,400	–
Income tax expense	(23,100)	–
Profit for the year from discontinued operations (attributable to owners of the Company)	69,300	23,419

17. DISCONTINUED OPERATIONS (continued)

Profit for the year from discontinued operations includes the following:

	2017 RMB'000	2016 RMB'000
Staff costs		
– Salaries, bonuses and allowances	–	1,168
– Retirement benefits scheme contributions	–	238
Operating lease charges		
– Office premises	–	1,807
Cash flows from discontinued operations:		
Net cash inflows from operating activities	–	27,019
Net cash inflows	–	27,019
Net assets at the date of disposal were as follows:		
Trade receivables	10,000	–
Cash and cash equivalents	20,000	–
Other receivables	3,600	–
Trade payables	(10,000)	–
Net assets disposed of	23,600	–
Gain on disposal	92,400	–
Total consideration	116,000	–
Total consideration		
– Satisfied by cash	75,400	–
– Consideration receivable (note 29)	40,600	–
	116,000	–
Net cash inflow arising on disposal:		
Cash consideration received	75,400	
Cash and cash equivalents disposed of	(20,000)	
	55,400	–

18. DIVIDENDS

On 29 August 2017, the Board declared the payment of an interim dividend of RMB0.038 (2016: Nil) per share, amounting to a total dividend of approximately RMB60,532,000, for the period ended 30 June 2017 to the shareholders whose names appeared on the register of members of the Company on 27 October 2017.

A dividend in respect of the year ended 31 December 2017 of RMB0.062 (2016: Nil) per share, amounting to a total dividend of approximately RMB98,762,000, is to be proposed for approval by the Company's shareholders at the forthcoming annual general meeting in 2018. These consolidated financial statements do not reflect this dividend payable.

19. EARNINGS PER SHARE

(a) From continuing and discontinued operations

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

	2017 **RMB'000**	2016 RMB'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	**101,588**	93,363

	2017 **'000**	2016 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	**1,597,434**	1,609,045

19. EARNINGS PER SHARE (continued)

(b) From continuing operations

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

	2017 RMB'000	2016 RMB'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share from continuing and discontinued operations for the year	**101,588**	93,363
Earnings for the year from discontinued operations	**(69,300)**	(23,419)
Earnings for the purpose of calculating basic and diluted earnings per share from continuing operations	**32,288**	69,944

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted earnings per share are the same.

(c) From discontinued operations

Basic and diluted earnings per share from the discontinued operations for the year ended 31 December 2017 is RMB0.04 per share (year ended 31 December 2016: RMB0.02 per share), based on the profit for the year ended 31 December 2017 from discontinued operations attributable to owners of the Company of approximately RMB69,300,000 (year ended 31 December 2016: RMB23,419,000) and the denominators used are the same as those detailed above for both basic and diluted earnings per share.

The computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise price of those share options was higher than the average market price for shares for the years ended 31 December 2016 and 2017.

20. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Furniture, Fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
At 1 January 2016	–	5,926	14,645	10,131	30,702
Additions	15,483	–	308	735	16,526
Disposals	–	–	(896)	(1,260)	(2,156)
At 31 December 2016 and 1 January 2017	15,483	5,926	14,057	9,606	45,072
Additions	–	783	170	–	953
At 31 December 2017	15,483	6,709	14,227	9,606	46,025
Accumulated depreciation					
At 1 January 2016	–	3,802	11,007	5,278	20,087
Charge for the year	522	543	1,273	1,230	3,568
Disposals	–	–	(790)	(763)	(1,553)
At 31 December 2016 and 1 January 2017	522	4,345	11,490	5,745	22,102
Charge for the year	735	420	808	1,090	3,053
At 31 December 2017	1,257	4,765	12,298	6,835	25,155
Carrying amount					
At 31 December 2017	14,226	1,944	1,929	2,771	20,870
At 31 December 2016	14,961	1,581	2,567	3,861	22,970

21. INVESTMENT PROPERTIES

	2017 RMB'000	2016 RMB'000
Cost		
At 1 January and at 31 December	**28,283**	28,283
Accumulated depreciation		
At 1 January	**8,811**	7,551
Charge for the year	**1,260**	1,260
At 31 December	**10,071**	8,811
Carrying amount		
At 31 December	**18,212**	19,472

As at 31 December 2017, the Group had no un-provided contractual obligations for future repairs and maintenance (2016: 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 2017, amounting to RMB44,743,000 (2016: RMB39,344,000). The valuation was determined using the market comparable approach (level 3 hierarchy). Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

22. GOODWILL

	2017 RMB'000	2016 RMB'000
Cost		
At 1 January and 31 December	**105**	105

100% equity interest of Beijing Kuawei Lianzhong Sports Development Co., Ltd. ("**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.

23. INTANGIBLE ASSETS

	Operating right RMB'000	Software and others RMB'000	Brand RMB'000	Total RMB'000
Cost				
At 1 January 2016	2,500	1,998	1,540	6,038
Additions	–	274	–	274
At 31 December 2016 and 1 January 2017	2,500	2,272	1,540	6,312
Additions	–	281	–	281
Acquisition of assets through acquisition of a subsidiary (note 38(b))	8,000	–	–	8,000
At 31 December 2017	10,500	2,553	1,540	14,593
Accumulated amortisation				
At 1 January 2016	1,000	717	103	1,820
Amortisation for the year	250	233	154	637
At 31 December 2016 and 1 January 2017	1,250	950	257	2,457
Amortisation for the year	2,917	197	154	3,268
At 31 December 2017	4,167	1,147	411	5,725
Carrying amount				
At 31 December 2017	6,333	1,406	1,129	8,868
At 31 December 2016	1,250	1,322	1,283	3,855

The average remaining amortisation periods of the operating right, software and others, and brand are 3 to 4 years (2016: 5 years), 1 to 10 years (2016: 2 to 10 years) and 8 years (2016: 9 years) respectively.

24. INVESTMENTS IN SUBSIDIARIES

Particulars of the Group's subsidiaries at 31 December 2017 and 2016 are set out as follows:

Name	Place and date of incorporation or registration/Type of legal entity	Particular of issued share capital	Percentage of ownership interest/voting power/profit sharing 2017	2016	Principal activities/Place of operation
Directly held by the Company					
Torch Media Co., Ltd.	BVI/2 April 2012/ Limited liability company	Ordinary shares US$1	**100%**	100%	Investment holding/BVI
Indirectly held by the Company					
Auto Culture Group Holdings Limited	Hong Kong/23 April 2012/Limited liability company	Ordinary shares HK$1	**100%**	100%	Investment holding/Hong Kong
Chinese Campus Football League Development Limited	Hong Kong/24 December 2014/ Limited liability company	Ordinary shares HK$1	**100%**	100%	Event organisation and related services/Hong Kong
Chinese Football League Development Limited	Hong Kong/24 December 2014/ Limited liability company	Ordinary shares HK$1	**100%**	100%	Event organisation and related services/Hong Kong
Asia Pacific Basketball Alliance Limited (formerly known as *"Asia-Pacific Championship Limited"*)	Hong Kong/24 October 2016/ Limited liability company	Ordinary shares HK$1	**100%**	100%	Event organisation and related services/Hong Kong
Beijing Wisdom Media Co., Ltd. (notes (a) and (b))	PRC/26 December 2006/Limited liability company	Ordinary shares RMB60,000,000	**100%**	100%	Program production and related services/PRC
Beijing Wisdom Sports Culture Co., Ltd. (note (b))	PRC/4 December 2015/Limited liability company	Ordinary shares RMB1,000,000	**100%**	100%	Event organisation and related services/PRC

24. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the Group's subsidiaries at 31 December 2017 and 2016 are set out as follows: (continued)

Name	Place and date of incorporation or registration/Type of legal entity	Particular of issued share capital	Percentage of ownership interest/voting power/profit sharing 2017	2016	Principal activities/Place of operation
Beijing Wisdom Sports Industry Co., Ltd. (formerly known as "*Beijing Wisdom Culture Co., Ltd.*") (note (b))	PRC/6 July 2012/ Limited liability company	Ordinary shares US$500,000	**100%**	100%	Investment holding/PRC
Shenzhen Wisdom Sports Industry Co., Ltd. (note (b))	PRC/1 November 2016/Limited liability company	Ordinary shares RMB50,000,000	**100%**	100%	Event organisation and related services/PRC
Tianjin Wisdom Huafu Advertising Co., Ltd. (note (b))	PRC/13 March 2014/Limited liability company	Ordinary shares RMB3,000,000	**100%**	100%	Advertising related services/PRC
Jiangxi Wisdom Advertising Co., Ltd. (note (b))	PRC/23 October 2015/Limited liability company	Ordinary shares RMB3,000,000	**100%**	100%	Advertising related services/PRC
Jiangxi Wisdom Sports Culture Co., Ltd. (note (b))	PRC/24 March 2014/Limited liability company	Ordinary shares RMB3,000,000	**100%**	100%	Advertising related services/PRC
Wisdom Events Operation and Management (Zhejiang) Co., Ltd. (note (b))	PRC/10 December 2013/Limited liability company	Ordinary shares RMB290,000,000	**100%**	100%	Event organisation and related services/PRC
Wisdom Road Run Industry (Shenzhen) Co., Ltd. (note (b))	PRC/6 January 2017/Limited liability company	Ordinary shares RMB10,000,000	**100%**	–	Event organisation and related services/PRC
Wisdom Sports Development (Shenzhen) Co., Ltd. (note (b))	PRC/3 November 2016/Limited liability company	Ordinary shares RMB50,000,000	**100%**	100%	Event organisation and related services/PRC
Wisdom Sports Development (Zhejiang) Co., Ltd. (note (b))	PRC/14 April 2016/ Limited liability company	Ordinary shares RMB290,100,000	**100%**	100%	Event organisation and related services/PRC
Wuhan Guanghe Lixing Sports Culture and Media Co., Ltd. (note (b))	PRC/1 June 2015/ Limited liability company	Ordinary shares RMB10,000,000	**100%**	–	Event organisation and related services/PRC

24. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the Group's subsidiaries at 31 December 2017 and 2016 are set out as follows: (continued)

Name	Place and date of incorporation or registration/Type of legal entity	Particular of issued share capital	Percentage of ownership interest/voting power/profit sharing 2017	2016	Principal activities/Place of operation
Zhejiang Wisdom Car Culture Advertising Co., Ltd. (note (b))	PRC/3 August 2012/Limited liability company	Ordinary shares RMB10,000,000	**100%**	100%	Advertising related services/PRC
Subsidiaries of Beijing Wisdom Media					
Beijing Car Culture Advertising Co., Ltd. (notes (a) and (b))	PRC/25 August 2010/Limited liability company	Ordinary shares RMB5,000,000	**100%**	100%	Advertising and related services/PRC
Beijing Kuawei Lianzhong Sports Development Co., Ltd. (notes (a) and (b))	PRC/18 April 2011/Limited liability company	Ordinary shares RMB300,000	**100%**	100%	Event organisation and related services/PRC
Beijing Wisdom Films Culture Media Co., Ltd. (notes (a) and (b))	PRC/28 February 2014/Limited liability company	Ordinary shares RMB3,000,000	**100%**	100%	Advertising and related services/PRC
Beijing Xinchuang Branding Co., Ltd. (notes (a) and (b))	PRC/25 January 2011/Limited liability company	Ordinary shares RMB1,000,000	**100%**	100%	Advertising and related services/PRC

Notes:

(a) These companies are under the Structured Contracts. Please refer to note 5(a)(ii) for details.

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

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

25. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 RMB'000	2016 RMB'000
Listed equity securities at fair value	**19,110**	–
Unlisted equity securities at cost	**39,000**	39,000
Impairment loss	**(3,260)**	–
	35,740	39,000
	54,850	39,000

Unlisted equity securities with carrying amount of RMB35,740,000 (2016: RMB39,000,000) were carried at cost less accumulated impairment loss as they do not have a quoted market price in an active market and their fair value cannot be reliably measured.

All of the available-for-sale financial assets are denominated RMB.

26. INVESTMENTS IN ASSOCIATES

	2017 RMB'000	2016 RMB'000
Unlisted investments:		
Share of net assets	**51,810**	4,929
Goodwill	**40,461**	906
	92,271	5,835

26. INVESTMENTS IN ASSOCIATES (continued)

Details of the Group's associates at 31 December 2017 and 2016 are as follows:

Name	Place of incorporation/ registration	Particular of issued share capital	Percentage of ownership interest/voting power/profit sharing 2017	2016	Principal activities
Beijing Guotaiyinke Technology Co., Ltd. ("**GTYK**")	PRC	RMB6,312,500	**20% (note (a))**	20% (note (a))	Technology development
Vning Sports Culture Industry (Beijing) Co., Ltd. ("**Vning**")	PRC	RMB6,027,727	**15% (note (b))**	–	Organisation of sports events
SEG ZM Sports Culture Development Co., Ltd. ("**SEG ZM**")	PRC	RMB50,000,000	**10% (note (c))**	–	Organisation of sports events
Beijing Shangde Da'ai Sports Co., Ltd. ("**SDDA**")	PRC	RMB5,555,555	**32.5% (note (d))**	–	Provision of services to marathon events and holding of exclusive right of the marathon event

Notes:

(a) The capital injection agreement between Beijing Wisdom Sports and GTYK ("**Agreement A**") specifies that Beijing Wisdom Sports has a right to request the original three individual shareholders of GTYK for cash or share compensation if GTYK's audited net profit targets of 2016 to 2018 are not met. The Group measured the value of such right, with the assistance of an independent qualified professional valuer, Avista Group, and the fair value of the right was considered insignificant on 23 November 2016 (the "**acquisition date of GTYK**"), 31 December 2016 and 31 December 2017.

Other than the right to request for cash or share compensation, Beijing Wisdom Sports had an option to request the original three individual shareholders of GTYK to repurchase the shares if GTYK's audited net profit target of 2016 was not met, which constituted an embedded put option in Agreement A. The Group measured the value of such put option, with the assistance of Avista Group, and the fair value of the option was considered insignificant as at the acquisition date of GTYK and 31 December 2016.

26. INVESTMENTS IN ASSOCIATES (continued)

Notes: (continued)

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

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

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

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

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

26. INVESTMENTS IN ASSOCIATES (continued)

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

	GTYK		Vning	
Name	2017	2016	2017	2016
Principal place of business/ country of incorporation	PRC/PRC	PRC/PRC	PRC/PRC	–
Principal activities	Technology development	Technology development	Organisation of sports events	–
% of ownership interests/ voting rights held by the Group	20%/20%	20%/20%	15%/15%	–
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December:				
Non-current assets	4,976	9,584	61,985	–
Current assets	23,355	17,064	45,645	–
Non-current liabilities	–	–	–	–
Current liabilities	(630)	(2,005)	(17,808)	–
Net assets	27,701	24,643	89,822	–
Group's share of net assets	5,540	4,929	13,473	–
Goodwill	2,826	906	3,941	–
Group's share of carrying amount of interests	8,366	5,835	17,414	–
Year ended 31 December:				
Revenue	12,488	4,031	6,055	–
Profit/(loss) from operations	658	1,175	(3,908)	–
Other comprehensive income	–	–	–	–
Total comprehensive income	658	1,175	(3,908)	–
Dividends received from associates	–	–	–	–

26. INVESTMENTS IN ASSOCIATES (continued)

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

Name	SEG ZM 2017	SEG ZM 2016	SDDA 2017	SDDA 2016
Principal place of business/ country of incorporation	**PRC/PRC**	PRC/PRC	**PRC/PRC**	–
Principal activities	**Events Organisation and related services**	–	**Provision of services to marathon events and holding of exclusive right of the marathon event**	–
% of ownership interests/ voting rights held by the Group	**10%/10%**	–	**32.5%/32.5%**	–
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 31 December:				
Non-current assets	**10,081**	–	**88,935**	–
Current assets	**42,951**	–	**25,370**	–
Non-current liabilities	**–**	–	**–**	–
Current liabilities	**(576)**	–	**(29,535)**	–
Net assets	**52,456**	–	**84,770**	–
Group's share of net assets	**5,246**	–	**27,551**	–
Goodwill	**–**	–	**33,694**	–
Group's share of carrying amount of interests	**5,246**	–	**61,245**	–
Year ended 31 December:				
Revenue	**9,383**	–	**46,091**	–
Profit from operations	**881**	–	**(7,110)**	–
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**881**	–	**(7,110)**	–
Dividends received from associates	**–**	–	**–**	–

26. INVESTMENTS IN ASSOCIATES (continued)

As at 31 December 2017, the cash and cash equivalents of the Group' associates in the PRC denominated in RMB amounting to approximately RMB11,913,000 (2016: approximately RMB1,130,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

27. INVESTMENT IN A JOINT VENTURE

	2017 RMB'000	2016 RMB'000
Unlisted investment:		
Share of net assets	–	31,286
Goodwill	–	–
	–	31,286

Details of the Group's joint venture at 31 December 2017 and 2016 are as follows:

Name	Place of incorporation/ registration	Particular of issued share capital	Percentage of ownership interest/ voting power/profit sharing 2017	2016	Principal activities
SEG ZM Sports Culture Development Co., Ltd.	PRC	RMB50,000,000	–	55% (note 26(c))	Organisation of sports events

28. TRADE RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**193,287**	233,186
Allowance for impairment of trade receivables	**(20,680)**	(14,099)
	172,607	219,087

The Group generally allows an average credit period of 180 days (2016: 180 days) for its customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

28. TRADE RECEIVABLES (continued)

The following is an aging analysis of trade receivables, net of allowance for impairment of trade receivables presented based on the revenue recognition dates.

	2017 RMB'000	2016 RMB'000
Within 1 month	**32,590**	89,213
1 to 3 months	**65,410**	42,475
4 to 6 months	**59,680**	36,652
7 to 12 months	**3,420**	7,483
1 to 2 years	**3,000**	39,264
Over 2 years	**8,507**	4,000
	172,607	219,087

As at 31 December 2017, an aggregate allowance was made for estimated irrecoverable trade receivables of RMB20,680,000 (2016: RMB14,099,000).

Reconciliation of allowance for impairment of trade receivables:

	2017 RMB'000	2016 RMB'000
At 1 January	**14,099**	–
Allowance for the year	**6,581**	14,099
At 31 December	**20,680**	14,099

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

28. TRADE RECEIVABLES (continued)

As of 31 December 2017, trade receivables of RMB14,927,000 (2016: RMB50,747,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The Group does not hold any collateral over these balances. The aging analysis of these trade receivables past due but not impaired is as follows:

	2017 RMB'000	2016 RMB'000
Within 1 month	–	7,483
1 to 3 months	3,420	–
7 to 12 months	–	39,264
1 to 2 years	3,000	4,000
Over 2 years	8,507	–
	14,927	50,747

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

29. OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Government grants receivables	**13,485**	25,668
Deposits with media companies and event organisation companies	**61,975**	78,997
Advance to employees	**3,642**	1,652
Lease and other deposits	**2,153**	5,441
Consideration receivable for disposal of a subsidiary (note 17)	**40,600**	26,600
Amount due from Wisdom Sports Arena Operation (Shenzhen) Co., Ltd. ("**TYCG**") (note 38(a))	**9,218**	9,218
Amounts due from related companies (note 41(a)(ii))	**9,037**	11,187
Amount due from NBL Company	**–**	3,600
Treasury products (note (a))	**261,608**	200,417
Fund investment in a partnership (note (b))	**50,667**	–
Loans to companies (notes (c) and (d))	**65,250**	–
Others	**6,318**	4,169
Allowance for impairment of other receivables	**(4,652)**	(4,427)
	519,301	362,522
Non-current portion	**(50,000)**	(255,069)
Total current portion	**469,301**	107,453

29. OTHER RECEIVABLES (continued)

	2017 RMB'000	2016 RMB'000
Non-current portion		
Amount due from NBL Company	–	3,600
Treasury product (note (a)(i))	–	200,417
Loan to a company (note (d))	50,000	–
Other non-current portion of other receivables	–	51,052
Total non-current portion	50,000	255,069

Notes:

(a)(i) In November 2016, the Group purchased No. 9 Beneficiary certificates products (the "**Treasury Product A**") (principal-guaranteed fixed income beneficiary certificates) of RMB200,000,000 issued by China Citic Bank 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 Directors of the Group considered the Treasury Product A has fixed maturity, with principal guaranteed and is not traded in an active market. Accordingly, the Treasury Product A is accounted for as the current portion of other receivables (2016: non-current portion of other receivables) and subsequently measured at amortised cost.

(a)(ii) On 29 August 2017, the Group joined a trust plan (中融－唐昇1號結構化集合資金信託計劃) (the "**Treasury Product B**") of RMB55,000,000 issued by Zhong Rong International Trust Co., Ltd. with an annual rate of return of 6.5%. The Treasury Product B lasts for 6 months and cannot be early redeemed until its expiry on 28 February 2018. The investment was not principal-guaranteed, but the Directors of the Group considered the investment has low risk due to the positive reputation of the Treasury Product B. Accordingly the Treasury Product B is accounted for as other receivables and subsequently measured at amortised cost. The balance was subsequently received on 28 February 2018.

(b) On 7 January 2017, the Group entered into a Limited Partnership Agreement with Shenzhen Zhongke Guofu Yuansheng Equity Investment Management Partnership (LLP) ("**ZKGF**"), whereas the Group invested RMB50,000,000 into ZKGF as a limited partner. The Group has no influence of the financial and operating decisions of ZKGF. The investment is denominated in RMB and ZKGF agreed to redeem the investment in three months which can be extended if agreed by both parties. The investment will be redeemed at the initial investment with a fixed return rate of 8.0% per annum. The Directors of the Group considered the investment has fixed maturity, with principal guaranteed. Accordingly, the investment is accounted for as other receivables and subsequently measured at amortised cost.

(c) On 21 July 2017, the Group entered into a loan agreement of RMB15,000,000 with TYCG, which had been a subsidiary of the Group and was disposed of in December 2016. After the disposal, TYCG has been an independent third party to the Group. The Directors of the Group are of the opinion that no allowance for impairment on the loan is necessary as there has not been any significant change in credit quality and there was no history of default by TYCG. Accordingly, this balance is still considered to be fully recoverable.

The loan carried a fixed interest rate of 4% per annum, unsecured and is repayable on 25 July 2018.

(d) On 2 November 2017, the Group entered into a loan agreement of RMB50,000,000 with a company, which is an independent third party and is guaranteed by its common ultimate shareholder of another company which provides services to the Group. The Directors of the Group are of the opinion that no allowance for impairment on the loan is necessary as there has not been any significant change in credit quality and there was no history of default noted. Accordingly, this balance is still considered to be fully recoverable.

The loan carried a fixed interest rate of 4.75% per annum, unsecured and is repayable on 31 October 2019.

29. OTHER RECEIVABLES (continued)

As at 31 December 2017, an aggregate allowance was made for estimated irrecoverable other receivables of RMB4,652,000 (2016: RMB4,427,000). The individually impaired receivables relate to media companies, which are in unexpectedly difficult financial situation. Amounts charged to the allowance account are generally written back when there is evidence of recovering additional cash.

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

30. PREPAYMENT AND OTHER CURRENT ASSETS

	2017 RMB'000	2016 RMB'000
Prepayment for media resources	**62,535**	76,067
Prepayment for sport competition and event organisation expenses	**26,503**	21,304
Prepaid lease and property management fees	**1,830**	5,497
Value-added and other taxes credit	**25,819**	14,047
Others	**2,142**	3,026
	118,829	119,941

The carrying amounts of prepayment are all denominated in RMB.

31. CASH AND CASH EQUIVALENTS

	2017 RMB'000	2016 RMB'000
Cash on hand	**80**	141
Bank balances	**324,354**	524,309
Cash and cash equivalents	**324,434**	524,450

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

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

32. SHARE CAPITAL

		2017			2016		
	Note	Number of shares '000	US$'000	RMB'000	Number of shares '000	US$'000	RMB'000
Authorised: Ordinary shares of US$0.00025 each At 1 January and 31 December		4,000,000	1,000	–	4,000,000	1,000	–
Issued and fully paid: Ordinary shares of US$0.00025 each							
At 1 January		1,609,045	402	2,479	1,609,645	402	2,479
Shares repurchased and cancelled	(a)	(16,103)	(4)	(25)	–	–	–
At 31 December		1,592,942	398	2,454	1,609,645	402	2,479

Note:

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

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

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

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

There have been no bank and other borrowings as at 31 December 2017 and 2016, accordingly, there was no net debt at 31 December 2017 and 2016 and calculation of debt-to-equity ratio at 31 December 2017 and 2016 is not meaningful.

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. However, there have been no bank and other borrowings as at 31 December 2017 and 2016.

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

(a) Statement of financial position of the Company

	2017 RMB'000	2016 RMB'000
Non-current assets		
Investments in subsidiaries	**301,226**	301,957
Current assets		
Other receivables	**1,665**	1,312
Prepayments	**447**	2,521
Cash and cash equivalents	**6,109**	32,316
	8,221	36,149
TOTAL ASSETS	**309,447**	338,106
Capital and reserves		
Share capital	**2,454**	2,479
Reserves	**300,826**	332,419
TOTAL EQUITY	**303,280**	334,898
Current liabilities		
Other payables and accrued expenses	**6,167**	3,208
TOTAL EQUITY AND LIABILITIES	**309,447**	338,106

Approved by the Board of Directors on 28 March 2018 and are signed on its behalf by:

Ren Wen
Director

Zhang Han
Director

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

(b) Reserve movement of the Company

	Share premium RMB'000	Share-based payments reserve RMB'000	(Accumulated losses)/ Retained profits RMB'000	Total RMB'000
At 1 January 2016	337,352	2,336	(5,849)	333,839
Total comprehensive income for the year	–	–	(3,368)	(3,368)
Share-based payments	–	1,948	–	1,948
At 31 December 2016	337,352	4,284	(9,217)	332,419
At 1 January 2017	**337,352**	**4,284**	**(9,217)**	**332,419**
Total comprehensive income for the year	**–**	**–**	**52,787**	**52,787**
Payment of 2017 interim dividend (note 18)	**(60,532)**	**–**	**–**	**(60,532)**
Share-based payments	**–**	**1,203**	**–**	**1,203**
Shares repurchased and cancelled	**(25,051)**	**–**	**–**	**(25,051)**
At 31 December 2017	**251,769**	**5,487**	**43,570**	**300,826**

34. RESERVES

(a) Group

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

(b) Nature and purpose of reserves

(i) Share premium

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

34. RESERVES (continued)

(b) Nature and purpose of reserves (continued)

(ii) Share-based payments reserve

The share-based payments reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(t) to the consolidated financial statements.

(iii) Statutory reserve

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

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

(iv) Other reserve

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

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

(v) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 4(k)(ii) to the consolidated financial statements.

35. DEFERRED TAX ASSETS

The following is the deferred tax assets recognised by the Group:

	Allowance for impairment of trade receivables RMB'000
At 1 January 2016, 31 December 2016 and 1 January 2017	–
Credited to profit or loss for the year (note 12)	2,042
At 31 December 2017	2,042

At the end of the reporting period, the Group has not recognised deferred tax assets in respect of unused tax losses of RMB5,140,000 (31 December 2016: RMB893,000) due to the unpredictability of future profit streams. Tax losses are all arisen in the PRC and will be expired within five years for offsetting against future taxable profits.

Under the CIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB950,162,000 (31 December 2016: RMB826,793,000) 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.

36. TRADE PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	**68,782**	113,285

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

	2017 RMB'000	2016 RMB'000
Within 1 month	**19,215**	65,011
1 to 3 months	**6,400**	9,995
4 to 6 months	**6,027**	16,908
7 to 12 months	**425**	13,486
Over 12 months	**36,715**	7,885
	68,782	113,285

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

As at 31 December 2017, no amount due to an associate (2016: RMB4,000,000) was included in trade payables (see note 41(a)(ii)).

37. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company's share option scheme (the "**Share Option Scheme**") was adopted pursuant to a resolution passed on 14 June 2013 for the primary purpose of providing incentives and rewards to people and the parties 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 at 31 December 2017, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 1,280,000 (2016: 2,145,000), representing approximately 0.1% (2016: approximately 0.1%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders.

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

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

37. SHARE-BASED PAYMENTS (continued)

Equity-settled share option scheme (continued)

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

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

37. SHARE-BASED PAYMENTS (continued)

Equity-settled share option scheme (continued)

The movements of the share options granted of the Group during the year ended 31 December 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							647,500
Weighted average exercise price	HK$7.26	–	–	–	HK$7.46	–	HK$7.19

During the years ended 31 December 2016 and 2017, no options were granted.

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

37. SHARE-BASED PAYMENTS (continued)

Equity-settled share option scheme (continued)

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

	Option 1
Share price	HK$3.92
Exercise price	HK$3.92
Expected volatility	45.0%
Expected life	4 years
Risk free rate	1.11%
Expected dividend yield	–

	Option 2
Share price	HK$8.00
Exercise price	HK$8.04
Expected volatility	44.36%-49.41%
Expected life	4 years
Risk free rate	1.1745%-1.3533%
Expected dividend yield	1.71%

The Group recognised the total expense of RMB1,203,000 for the year ended 31 December 2017 (2016: RMB1,948,000) in relation to share options granted by the Company.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of 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.

Net assets at the date of disposal were as follows:

	RMB'000
Other receivables	586
Prepayments	8,818
Bank balances	10,000
Amount due to the Group (note 29)	(9,218)
Other payables and accrued expenses	(186)
Net assets disposed of	10,000
Gain on disposal	28,000
Total consideration	38,000
Total consideration	
– Satisfied by cash	11,400
– Consideration receivables	26,600
	38,000
Net cash inflow arising on disposal:	
Cash consideration received	11,400
Cash and cash equivalents disposed of	(10,000)
	1,400

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

(b) Acquisition of assets through acquisition of a subsidiary – Wisdom Road Run Industry (Shenzhen) Co., Ltd. ("Lu Pao Industry")

In May 2017, the Group acquired 100% equity interest in Lu Pao Industry at a cash consideration of RMB8,000,000. Lu Pao Industry holds a right of operation of marathon events and was acquired with the objective of expansion in market coverage of business of the Group.

The transaction was accounted for as acquisition of assets through acquisition of a subsidiary and the fair value of the consideration allocated to the assets and liabilities acquired is as follows:

Net assets at the date of acquisition were as follows:

	RMB'000
Intangible assets – operating right	8,000
Total consideration – satisfied by cash	8,000
Net cash outflow arising on acquisition:	
Cash consideration paid	8,000

(c) Major non-cash transaction

During the year ended 31 December 2017, the Group disposed of the equity interest in SWBI, sales proceeds of RMB40,600,000 have not been received at the end of the reporting period and have been recorded in other receivables (see note 29), RMB20,300,000 of which was received in March 2018.

During the year ended 31 December 2016, the Group disposed of the equity interest in TYCG, sales proceeds of RMB26,600,000 have not been received at the end of the reporting period and have been recorded in other receivables (see note 29). Those sales proceeds were fully received in March 2017.

39. CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any significant contingent liabilities (2016: Nil).

40. COMMITMENTS

(a) Operating lease commitments

The Group as lessee

At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 RMB'000	2016 RMB'000
Within one year	**5,733**	8,471
In the second to fifth years inclusive	**5,472**	13,431
	11,205	21,902

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated and rentals are fixed over the lease terms ranging from 1 to 3 years (2016: 1 to 3 years) and do not include contingent rentals.

The Group as lessor

At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2017 RMB'000	2016 RMB'000
Within one year	**497**	2,585
In the second to fifth years inclusive	**498**	3,805
	995	6,390

40. COMMITMENTS (continued)

(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. During the year ended 31 December 2017, the Group terminated the cooperations with major provinces and only kept the strategic cooperation with Zhejiang province and Asia Athletics Association.

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

	2017 RMB'000	2016 RMB'000
Within one year	**2,453**	10,900
In the second to fifth years inclusive	**–**	11,933
	2,453	22,833

(c) Investment commitments

Beijing Wisdom Media is committed to make a capital contribution of RMB75,000,000 to Wisdom Hongtu Cultural Investment Management Center (Limited Partnership) ("**Hongtu**"), an investment fund in sports and cultural business. As at 31 December 2017 and 2016, Beijing Wisdom Media contributed RMB30,000,000 to Hongtu which is recognised in available-for-sale financial assets. The commitment to the remaining contribution payment is amounted to RMB45,000,000.

41. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

(i) Related party transactions

	2017 RMB'000	2016 RMB'000
Investments in associates – Acquisition of equity interest in SEG ZM – SZZM Company (note (a))	**–**	27,500
Purchase – Exclusive commercial right expense – NBL Company (note (b))	**–**	33,980
Purchase – Technology development service fee expense – GTYK (note (c))	**–**	4,000
Purchase – Marathon timing service fee expense – Shenzhen Wisdom Sports Technology Limited ("**SZWS**") (note (d))	**–**	2,053
Purchase – Events operation fee expense – SDDA (note (e))	**18,679**	–

(ii) Related party balances

	2017 RMB'000	2016 RMB'000
Trade payable to GTYK (note (c))	**–**	4,000
Other receivables from SZWS (note (d))	**2,977**	3,977
Advance to SZWS (note (d))	**1,073**	500
Advance to SDDA (note (e))	**3,525**	–
Other receivable from SEG ZM (note (f))	**–**	5,600
Other receivable from 深圳軔行投資有限公司 ("**SZRX**") (note (g))	**1,462**	1,110

41. RELATED PARTY TRANSACTIONS (continued)

(a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year: (continued)

Notes:

(a) On 7 April 2016, Beijing Wisdom Sports entered into an ETA with SZZM and SEG, pursuant to which SZZM transferred a 55% equity interest in SEG ZM to Beijing Wisdom Sports at a consideration of RMB27,500,000. Ms. Ren Wen indirectly holds the controlling shareholding interest in SZZM. Details are set out in Note 26(c).

(b) No transaction occurred between the Group and NBL Company during the year. ZMWH entered into an agreement with NBL Company to obtain the exclusive commercial right of 2016-2019 NBL in 2016. A Director of the Group, which is a member of the key management personnel of the Group, had significant influence over NBL Company as the Director was one out of the five Directors in NBL Company during the year ended 31 December 2016.

(c) In 2016, GTYK provided technology development services to the Group. GTYK became an associate of the Group on 23 November 2016. The service fee for the year ended 31 December 2016 was RMB4,000,000 which was included in the trade payables as at 31 December 2016.

(d) Ms. Ren Wen indirectly holds the controlling shareholding interest in SZWS. SZWS provided marathon timing services to the Group at a consideration of RMB2,053,000 for the year ended 31 December 2016.

Other receivables arise from the receipt by SZWS on behalf of the Group, and advance relates to routine business activities as at 31 December 2016 and 2017.

(e) In 2017, ZMWH entered into an agreement with SDDA to obtain the commercial right of the sport event, Running in China, from 1 April to 31 December 2017. As at 20 July 2017, ZMWH contributed approximately RMB63,556,000 to SDDA and holds 32.5% equity interest in SDDA as an investment in an associate. The events operation fee for the year ended 31 December 2017 was RMB18,679,000. The Group has advance as at 31 December 2017 to support the operation of Running in China by ZMWH.

(f) Other receivables arise from the receipt by SEG ZM on behalf of the Group as at 31 December 2016.

(g) Ms. Ren Wen indirectly holds the controlling shareholding interest in SZRX. The balances as at 31 December 2016 and 2017 represent the rental income receivables regarding the property leased in 2016 and other receipt by SZRX on behalf of the Group.

41. RELATED PARTY TRANSACTIONS (continued)

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

	2017 RMB'000	2016 RMB'000
Directors' fees	**564**	564
Salaries and allowances	**6,622**	5,783
Share-based payments	**100**	47
Retirement benefit scheme contributions	**312**	365
	7,598	6,759

42. EVENTS AFTER THE REPORTING PERIOD

The Directors of the Group consider that there is no significant event being noted after the end of the reporting period.

43. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The new classification of the accounting items was considered to provide a more appropriate presentation of the state of affairs of the Group. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

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				
	2017	2016	2015	2014	2013
Comparison of Key Financial Figures	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**371,463**	480,910	681,429	804,301	694,308
Cost	**(240,845)**	(307,617)	(499,574)	(430,207)	(351,481)
Gross Profit	**130,618**	173,293	181,855	374,094	342,827
Profit before income tax	**160,148**	135,076	74,464	370,598	311,229
Profit attributable to the owners of the Company	**101,588**	93,363	50,793	277,994	231,513
Total assets	**1,332,389**	1,348,523	1,160,263	1,329,883	1,205,214
Total liabilities	**119,616**	151,043	58,094	130,663	134,886