Ironman Denmark ApS

Hannovergade 8, 2300 Copenhagen S, Denmark

CVR no. 32 30 12 66

Annual report 2016

Approved at the annual general meeting of shareholders on 10 July 2017

Chairman:

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Building a better working world

Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Ironman Denmark ApS for the financial year 1 January - 31 December 2016.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 10 July 2017
Executive Board:

Thomas Veje Olsen

Board of Directors:

Steven Louis Johnston	Shane M Facteau	Andrew Lawrence Messick
James Patrick Gramling		

Independent auditor's report

To the shareholders of Ironman Denmark ApS

Opinion

We have audited the financial statements of Ironman Denmark ApS for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark 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 the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditor's report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 10 July 2017
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Peter Jensen
State Authorised Public Accountant

Management's review

Company details

Name	Ironman Denmark ApS
Address, Postal code, City	Hannovergade 8, 2300 Copenhagen S, Denmark
CVR no.	32 30 12 66
Established	10 April 2010
Registered office	Copenhagen
Financial year	1 January - 31 December
Website	http://www.ironman.com/
Board of Directors	Steven Louis Johnston Shane M Facteau Andrew Lawrence Messick James Patrick Gramling
Executive Board	Thomas Veje Olsen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark
Bankers	Danske Bank

Management's review

Management commentary

Business review

IM Denmark ApS operates triathlon, duathlon, and distance running events under the IRONMAN, IRONMAN 70.3, 5i50TM, IRON GIRL and IRONKIDS brands throughout Denmark. Beginning in 1978 as a challenge between a US naval commander and his group of friends, the IRONMAN has grown to become the most recognized full distance triathlon in the world.

Originally a combination of the Waikiki Rough Water Swim, the Around Oahu Bike Race, and the Honolulu Marathon, the IRONMAN® events consist of a 2.4-mile swim, a 112-mile bike ride, and a 26.2-mile run. IRONMAN 70.3® races are long-distance triathlons (half the distances of the IRONMAN® event). 5i50™ events are Olympic-distance triathlons. IRON GIRL® and IRONKIDS® events include triathlons, duathlons, or distance running events. The events are operated in Denmark by IRONMAN Denmark ApS. In addition to operating events, IRONMAN Denmark ApS is committed to growing the sport of triathlon through a comprehensive program of sponsorships, media sources, and other event production opportunities.

Financial review

The income statement for 2016 shows a loss of DKK 6,452,027 against DKK -1,544,599 last year, and the balance sheet at 31 December 2016 shows a negative equity of DKK 11,273,599.

18 November 2015, the IRONMAN group was acquired by Wanda Group, one of the leading Chinese private conglomerates.

The financial results for 2016 were expected to be better than the 2015 results, but due to a longer period of integration into the group than expected the economic benefits of the integration have not yet been realized. The 2017 results are expected to be positive as IRONMAN Denmark ApS is planning to benefit from its key investments performed in 2015 and 2016.

Events after the balance sheet date

No significant events have occurred subsequent to the financial year-end.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK	2016	2015
	Gross margin	-2,159,923	1,827,713
3	Staff costs	-3,486,741	-2,917,654
4	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-307,049	-251,709
	Profit/loss before net financials	-5,953,713	-1,341,650
5	Financial expenses	-498,314	-202,949
	Profit/loss before tax	-6,452,027	-1,544,599
	Tax for the year	0	0
	Profit/loss for the year	-6,452,027	-1,544,599
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	-6,452,027	-1,544,599
		-6,452,027	-1,544,599

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2016	2015
	ASSETS		
	Fixed assets		
6	Intangible assets		
	Acquired intangible assets	120,850	246,012
		120,850	246,012
7	Property, plant and equipment		
	Plant and machinery	382,002	170,252
	Other fixtures and fittings, tools and equipment	75,454	116,405
	Leasehold improvements	0	0
		457,456	286,657
	Investments		
	Other receivables	56,403	56,403
		56,403	56,403
	Total fixed assets	634,709	589,072
	Non-fixed assets		
	Receivables		
	Trade receivables	668,800	189,588
	Receivables from group entities	14,420,202	13,991,605
	Prepayments	92,335	105,438
		15,181,337	14,286,631
	Cash	2,470,752	1,868,238
	Total non-fixed assets	17,652,089	16,154,869
	TOTAL ASSETS	18,286,798	16,743,941
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	80,000	80,000
	Retained earnings	-11,353,599	-4,895,807
	Total equity	-11,273,599	-4,815,807
	Liabilities		
	Current liabilities		
	Prepayments received from customers	11,914,109	10,628,080
	Trade payables	1,160,341	965,670
	Payables to group entities	14,595,014	8,950,864
	Other payables	1,890,933	1,015,134
		29,560,397	21,559,748
	Total liabilities other than provisions	29,560,397	21,559,748
	TOTAL EQUITY AND LIABILITIES	18,286,798	16,743,941

1 Accounting policies
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Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 January 2016	80,000	-4,895,807	-4,815,807
Transfer through appropriation of loss	0	-6,452,027	-6,452,027
Exchange adjustment	0	-5,765	-5,765
Equity at 31 December 2016	80,000	-11,353,599	-11,273,599

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Ironman Denmark ApS for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

Changes to presentation and disclosures only

Effective 1 January 2016, the Company has implemented act no. 738 of 1 June 2015 with amendments to the Danish Financial Statements Act. As the implementation of the amendment act has no impact in terms of value on the income statement or the balance sheet in the financial year, nor on the comparative figures, the financial statements have been prepared based on the same accounting policies as last year.

The amendment act has solely implied new or changed presentation and disclosure requirements, which have been incorporated in the financial statements.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Income from the rendering of services, comprising registration fees for participation in sports events, is recognised as revenue as the services are rendered, implying that revenue corresponds to the market value of the services rendered in the year (percentage-of-completion method).

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Gross margin

The items revenue, change in inventories of finished goods and work in progress, work performed for own account and capitalised, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Software	5 years
Plant and machinery	5 years
Other fixtures and fittings, tools and equipment	3 years

Financial expenses

Financial expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Balance sheet

Intangible assets

Other intangible assets include acquired intangible rights, including software licences and distribution rights.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment of fixed assets

Intangible assets and property, plant and equipment as well as investments in subsidiaries and associates are reviewed for impairment on an annual basis. Where there is evidence of impairment, each individual asset or group of assets generating independent cash flows is tested for impairment. The carrying amount of impaired assets is reduced to the higher of the value in use and the net selling price (recoverable amount). Where an impairment loss is recognised on a group of assets, a loss is first allocated to goodwill and then to the other assets on a pro rata basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis. in which case the carrying amount is reduced to the net realisable value.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Other payables

Other payables are measured at net realisable value.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

2 Going concern uncertainties

The Company has lost its equity and must, according to the Danish Companies Act, adopt measures to restore it. Management still expects to recover the lost equity through positive results going forward.

The Company's budget for 2017 shows a profit based on Management's expectations of cost reductions compared to 2016 as the Company is now fully integrated in the Group.

Moreover, the parent company, World endurance BV, IRONMAN Germany GmbH and World Triathlon Corporation, have issued a letter of subordination agreeing to let all other creditors take precedence over payables to the parent company and entities fully controlled by the parent company until at least 4 July 2018.

In addition, we have received a letter of support stating that World Triathlon Corporation will support the Company financially when needed in order for the Company to fulfil its obligations as they fall due until at least 12 months after the approval by the annual general meeting of the financial statements for 2016.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

Against this background, Management presents the financial statements based on a going concern assumption.

	DKK	2016	2015
3	**Staff costs**		
	Wages/salaries	3,377,660	2,877,869
	Pensions	20,570	19,440
	Other social security costs	42,082	20,345
	Other staff costs	46,429	0
		3,486,741	2,917,654
	Average number of full-time employees	7	6
4	**Amortisation/depreciation of intangible assets and property, plant and equipment**		
	Amortisation of intangible assets	125,162	111,936
	Depreciation of property, plant and equipment	181,887	139,773
		307,049	251,709
5	**Financial expenses**		
	Interest expenses, group entities	94,965	53,661
	Other financial expenses	403,349	149,288
		498,314	202,949

6 **Intangible assets**

DKK	Acquired intangible assets
Cost at 1 January 2016	878,451
Disposals in the year	-359,243
Cost at 31 December 2016	519,208
Impairment losses and amortisation at 1 January 2016	632,439
Amortisation/depreciation in the year	125,162
Reversal of amortisation/depreciation and impairment of disposals	-359,243
Impairment losses and amortisation at 31 December 2016	398,358
Carrying amount at 31 December 2016	120,850

Financial statements for the period 1 January - 31 December

Notes to the financial statements

7 **Property, plant and equipment**

DKK	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2016	530,925	289,972	246,295	1,067,192
Additions in the year	280,979	71,707	0	352,686
Cost at 31 December 2016	811,904	361,679	246,295	1,419,878
Impairment losses and depreciation at 1 January 2016	360,673	173,567	246,295	780,535
Amortisation/depreciation in the year	69,229	112,658	0	181,887
Impairment losses and depreciation at 31 December 2016	429,902	286,225	246,295	962,422
Carrying amount at 31 December 2016	382,002	75,454	0	457,456

8 **Contractual obligations and contingencies, etc.**

Other contingent liabilities

Other contingent liabilities include the Company's debt to group entities of DKK 14,683,281. The debt subordinates for any other creditor until at least 4 July 2018.

Ironman Denmark has a lawsuit with Team Challenge Germany. The core issue is whether Ironman Denmark has breached the license agreement between YwC Sports ApS and Team Challenge. The lawsuit is still ongoing and the outcome is uncertain.

Other financial obligations

Rent and lease liabilities include a rent obligation totalling DKK 124,631, which is equal to six months' rent.

9 **Contingent assets**

The Company has tax loss carry-forwards totalling DKK 11,203,668, resulting in a deferred tax asset. This has not been recognised in the balance sheet due to uncertainty as to the timing and utilisation of the tax losses.

10 **Collateral**

The Company has not provided any security or other collateral in assets at 31 December 2016.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

11 Related parties

Information about consolidated financial statements

Parent	Domicile
Wanda Group Co Ltd.	China