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WISDOM HOLDINGS GROUP

智美控股集团

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1661)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

FINANCIAL HIGHLIGHTS

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of Wisdom Holdings Group (the “**Company**”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended December 31, 2014 together with the comparative figures for the previous year. The highlights are as follows:

- Revenue increased by 15.8% to RMB804.3 million for the year ended December 31, 2014 from RMB694.3 million for the year ended December 31, 2013;
- Revenue from Wisdom Events increased by approximately 148.7% to RMB253.1 million for the year ended December 31, 2014 from RMB101.8 million for the year ended December 31, 2013;
- The gross profit of Wisdom Events increased by approximately 117.3% to RMB151.9 million for the year ended December 31, 2014 from RMB69.9 million for the year ended December 31, 2013;
- The proportion of the gross profit from Wisdom Events increased to approximately 40.6% for the year ended December 31, 2014 from 20.4% for the year ended December 31, 2013;
- Net profit increased by 20.1% to RMB278.0 million for the year ended December 31, 2014 from RMB231.5 million for the year ended December 31, 2013;
- Basic earnings per share was RMB0.17 for the year ended December 31, 2014; and
- The Board proposed the payment of a final dividend of RMB0.093 per share.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE GROUP

The sports industry of China flourished in 2014. On October 20, 2014, the State Council announced “Certain Opinion on the Acceleration of the Development of the Sports Industry and the Stimulation of Sports-related Consumption (《關於加快發展體育發展產業促進體育消費的若干意見》)”, in which the State Council elevates national physical fitness programme to the national strategy level, and shows its support to the sports industry which is treated as an environmental friendly and emerging industry. A target was set for the industry demanding that by the end of 2025, the market size of the sports industry shall reach no less than RMB5 trillion. Currently, the market size of the sports industry in China amounts to far less than RMB1 trillion. According to the statistics in “Report on the Development of the PRC Sports Industry (2013)”, the market size of the sports industry in China in 2012 was merely RMB259.5 billion, representing 0.5% of the gross domestic product (GDP) of China. It also estimates that in 2015, the market size of the sports industry in China would be over RMB700 billion. Based on the market size of RMB700 billion in 2015, and assuming that of 2025 to be RMB5 trillion, the compound annual growth rate (CAGR) of the size for sports industry in China would reach 21.73%, marking high-speed development of the industry.

The year of 2014 is an important year to the Group in formulating the overall strategy in developing sports industry. Based on the years of experience in the operation of sporting events, the Group explored and expanded markets in premium sporting events that appeal to wider audiences with sustained profitability. Through resources integration in sporting events, the Group collected useful statistics on the population that is interested and engaged in sports. Such collection of end-user data has laid a good consumer base for the extension of industry chain of sports. In addition to exploring new businesses, the Group continued to perfect its conventional program & branding business to ensure steady and stable revenues against the backdrop of the stagnant macro-economy in China last year. The synergy drawn from the combination of different business segments of the Group further consolidated the Group’s leading position in the field of sports culture in China.

In 2014, the Group actively and proactively equipped itself in business management and recruitment of talents to pave the way for the deployment of the sports industry. Through restructuring the organizational composition and business segments, the Group further standardized its management protocols in various business segments. Notwithstanding the shortage of experienced personnel in the sports industry in China, the Group continued to introduce seasoned professionals and talents and provide training to its own staff with potential. The Group also incentivized team coordination by granting share options as appropriate. All these measures lay a solid foundation for the next round of entrepreneurial development of the Group.

BUSINESS REVIEW

I. Wisdom Events

Wisdom Events is engaged in the organization, management and promotion of various international and domestic sporting tournaments and other marketing activities. Wisdom Events derives its revenue from both B2B (business-to-business) and B2C (business-to-consumer) businesses, including title sponsorships, general sponsorships and advertising fees paid by branded companies, enrolment fees paid by events participants, as well as sales of admission tickets and related merchandize for sporting events.

Wisdom Events focused on the strategic deployment of its operation in 2014. The Group conducted a series of systematic research on footrace events (including large-scale city marathons and small-scale thematic runs), mass sporting events and important tournaments. As to footrace events, the Group acquired exclusive rights to operating the annual marathon races from 2014 to 2018 from the CCTV Sports & Entertainment Co., Ltd, and managed to jointly organize 13 marathon races in 2014. Among them, the Group operated “2014 Hangzhou International Marathon” and “2014 Guangzhou Marathon” successfully, both of which were awarded the “Gold Events” by the Chinese Athletic Association. Meanwhile, “Season Run (四季跑)”, a creative thematic running event the Group developed itself with intellectual property rights, organized two successful races in Shanghai and Changsha, and both of them were well received and highly recognized by sponsors, participants and the media. Witnessing the great success of “Season Run”, a number of cities extended invitations to the Group for operating such thematic running events in their cities in 2015.

With regard to mass sporting events, the Group successfully acquired the exclusive operating rights to “China Longzhou Tournament (中華龍舟大賽)” and organized the “World Cup of International Dragon Boat Federation (國際龍舟聯合會世界杯)” successfully in the first half of 2014. From March 2014 onwards, the Group entered into a series of strategic cooperation agreements with 13 provincial and municipal sports authorities in sports-related matters and thus secured long-term exclusive rights to the long-term commercial development of social mass sporting events in those 13 provinces and municipalities including Hubei, Zhejiang, Hunan, Tianjin, Shanghai, Henan, Hebei, Beijing, Liaoning, Anhui, Jiangsu, Chongqing and Shandong. Therefore, the Group has completed the strategic inter-regional deployment in economically advanced areas in China, such as Bohai Rim, Yangtze River Delta, Pearl River Delta and the affluent region in Western China. Annually, there were more than 700 events taking place in these 13 provinces and municipalities, with more than 30 million participants in total. On December 18, 2014, the Group established a “Mass Sporting Events Alliance (大眾體育賽事聯盟)” with the sports authorities in the 13 provinces and municipalities mentioned above, which paves the way for the coordination of new inter-provincial mass sporting events in the future.

In 2014, Wisdom Events conducted intensive study and analysis in international and domestic, significant and phenomenal events. In order to identify premium large-scale events that would be suitable for the current phase of China's development and would be popular among the general public and sponsors, the Group set up thematic research teams together with the Graduate School of the Physical Education Department of the Peking University and the Communication University of China to study development of the sports industry and sports marketing communication. The market-oriented, effective survey and assessment the Group carried out formed the theoretical basis for introducing grand sporting events into China.

In the capital market, the Group established Wisdom Hongtu Cultural Investment Management Centre (Limited Partnership) (北京智美紅土文化投資管理中心(有限合夥)) (“**Hongtu Fund**”) with Shenzhen Capital Group Co., Ltd., (“**SCG**”) and Hongtu Jingshan Investment Management Advisory (Beijing) Company Limited (“**Hongtu Jingshan**”). The proposed initial capital of the fund shall be approximately RMB155,000,000. The introduction of sporting events with the quality integrated resource from the industry chain could be realized as a result of the cooperation among the leading participants from industry and capital market. Meanwhile, the Group will pay close attention to high-quality merger and acquisition targets in both domestic and international market, in order to leverage the Group's capital advantages and to accelerate the Group's coverage of different stages of the industry chain.

Pursuant to the strategic plans in 2014, the Group, together with the strategic cooperation partners, set up an O2O (Online-to-Offline) Big Data Platform, based on the demographic data collected from premium branded sporting events. The Group believed that an increasing number of end-users would be attracted if the Group could provide the customized products and services online and offline. Meanwhile, various measures have been taken to maintain the present registered users, including sporting events registration, membership club, sports tourism and training sessions, etc. All of them helped to arouse the passions of the customers, and satisfied the communication needs of the contracting provinces and sponsors. Furthermore, it played a key role in the stimulation of individual sporting consumption to a large extent.

II. Wisdom Program & Branding

Wisdom Program & Branding is a relatively mature business sector of the Group. In 2014, it remained in steady and stable development, and derived revenue from production and distribution of television programs and advertisements.

As a traditional business sector with stable performance, Wisdom Program & Branding continued bringing steady and stable cash flow and client resources to the Group as presaged in its strategic plans in 2014. In 2014, the Group's long-standing automobile fashion program "Driving Fashion (《駕尚》)" managed to keep its existing market scale, while "Happy Driving (《大樂駕》)", a professional automobile program and a new addition to the Group's broadcasting platform resources, premiered on Sichuan Satellite TV. On the other hand, the Group successfully renewed its exclusive advertising rights to the five existing programs, including "Oriental Horizon (《東方時空》)", "World Express (《國際時訊》)", "News Weekly (《新聞週刊》)" and "World Weekly (《世界週刊》)" of the CCTV News Channel and "Treasure Hunt (《尋寶》)" of the CCTV Integrated Channel. The News Channel, the only professional news channel in China which provides an uninterrupted stream of journalistic news and information around the clock, has always been the fastest growing channel in terms of ratings among all CCTV channels. Therefore, it maintains a relatively stable and high-caliber audience and offers a sound environment for advertising and marketing. It is also a premium platform in the traditional media which is faced with fewer challenges from the new media.

The year of 2014 witnessed the strategic transformation of the Group. Whilst leveraging on its strengths in the advertising industry, the Group succeeded in securing the leading position in the burgeoning sports industry in China, based on which, the Group stands ready to embark upon sports training, tourism, insurance and operating halls for sporting events, etc. Such expansions will provide better sports and entertainment products and services to the public.

OUTLOOK OF INDUSTRY AND GROUP

The year of 2014 can be marked as a milestone for China's sports industry, revolutionary changes that occurred during the year will have a significant impact on the development of China's sports industry for the next 5 to 10 years. From a macroscopic perspective, it is obvious that the sports industry contributes a new stream of growth to China's GDP. In 2013, outputs from sports and related industries in China amounted to RMB1.1 trillion, representing a year-on-year increase of 11.91%, with an added value of RMB356.3 billion, representing a year-on-year increase by 10.82%, with such added value increasing in its weighting in the GDP to 0.63%. The opinion titled "Some Opinions on the Acceleration of the Development of the Sports Industry and the Stimulation of Sports-related Consumption" promulgated by the State Council elevates the sports industry to the national strategy level aiming not only to improve physical fitness of its citizens, but also to stimulate economic growth at the same time. The estimated market size of the sports industry of RMB5 trillion in 2025 also provides broad market opportunities for rapid development of the sports industry. From a consumption structure perspective, the GDP per capita in China was approximately US\$7,485 in 2014, and the disposable income per capita increased by 8% to more than RMB20,000, but the sports consumption per capita in China was merely 6% of that of developed countries. As the GDP per capita in China exceeded US\$6,000, the consumption pattern of Chinese citizens will change from "viewing only" to "participating and experiencing" and this will translate into huge business opportunities in sectors such as sports, sporting events and health-related individual consumption and activities.

During the years from 2015 to 2017, the Group positions itself as a "cultivator for a sporting consumption market in China". Adhering to its development principle of "rallying the population and building up a unique brand", the Group will further acquire more quality sporting event resources and accumulate end-user data of an increasingly growing sporting population. In accordance with the Group's core philosophy, "building up leading products, simulating an O2O consumption scene, bringing in additional clients and rationalizing internal management protocols", the Group will be able to provide better products and services for all its entrepreneurial customers and end consumers which shall further consolidate the Group's leading position in the sporting consumption industry.

For our sporting products, utilizing the strategic deployment and relentless efforts made in 2014, the Group further enlarged the portfolio and the number of sporting events it operated. Based on our established foundation in hosting city marathons, the Group plans to host 5 to 6 city marathons in 2015, which will cover more provincial capitals and economically developed regions, such as Changsha, Shenyang, Qingdao, etc., as opposed to hosting only 2 city marathons in Hangzhou and Guangzhou in 2014. At the same time, "Season Run", a well-received proprietary thematic footrace event the Group developed and operated in 2014, will be expanded into a 10-stop thematic footrace event in 2015, covering Shenzhen, Tianjin, Chongqing, Beijing, Shanghai, Nanjing, etc. "Season Run" will be a great opportunity for sponsors to communicate with more audience and for runners to join more footrace events and gain experience. For mass sporting events, based on the strategic cooperation agreements signed in 2014 with 13 provincial or municipal-level competent authorities in sports, the Group will systematically launch a series of cross-provincial mass sporting events in 2015. Headed by its first event "Charitable Walkathon for the Chinese Dream (踐行中國夢 • 閃耀中國心 — 幸福足跡, 城市徒步大會)" in April, this series of cross-provincial mass sporting events will cover over 35 cities in 10 provinces with millions of expected participants. Integrating the mass sporting events resources available in different regions, the Group shall gradually launch

other popular mass sporting events, such as square fitness and horsemanship, with the objective that such cross-provincial multi-typed mass sporting events will become a regular and standard sports business.

Based on the Group's strategic plan, scene consumption will become an important development direction in 2015. It can be defined by the installation of a scene or simulation of a situation where individual consumers are inclined to visiting, therefore certain consumption behavior patterns can be formed and even stabilized. The aggregation of the consuming individuals forms the consuming mass, and massive revenue can be derived from the consuming mass. In 2015, the Group has established a sports service company (the "**Sport Service Company**") that specializes in constructing sports-related scenes or stimulating sports-related situations. Based on the Group's proprietary footrace "Season Run", offline consumption sites for running, shows, entertainment and shopping (similar to carnivals or parades) are connected to the Internet and mobile consumption platforms. Through signing a strategic agreement with the LKK Design Group, the Group will jointly develop sports event related derivative products. The Group will also cooperate with Shilin Night Market to bring traditional festival foods into event venues. In addition, online and offline training will also be one of the areas the Group embarks upon by cooperating with quality teaching personnel. Moreover, the Group is planning to work with travel agencies to provide sports tourism for all sports fans. Based on the mass end-user data from its own registration system, the Group stands ready to benefit from the synergies drawn from different stages of the sports industry value chain, which will increasingly reinforce one another when the Group operates more or introduces new sporting events. The goal of the Sport Service Company for 2015 is to build a sophisticated services system complementary to the offline sporting events related consumption and standardize its products into a reliable and profitable business model which can offer turn-key solutions to the Group's own operating events, to other premium sporting events or to mass sporting events the Group is engaged in the provinces through strategic cooperation. Integrating the aforementioned with the O2O platform, the Sports Service Company will be able to connect online and offline situational consumption, which shall help build the Group's "Let's Go" brand into a popular sports-related service provider.

Regarding clientele development, the Group will further enlarge its client base in the sports/ events and program/advertising areas. Revenue derived from sponsors remains the major source of income in the PRC for both sporting events and program marketing. As the sports-related industry thrives, sponsors are more willing than ever to enhance their investments in sports marketing in order to reach their end-consumers. The Group's premium client base lies in the traditional high-end business sectors. As a result of the rapid development of the sports sector in 2014, the Group succeeded in building up clientele in the areas of sports equipment and food & beverage, which complemented the Group's high-end clients in the automobile and financial sectors. In 2015, the Group will strengthen its efforts in clientele development. By setting up branch offices in developed regions such as Shanghai and Guangdong, the Group strives to provide tailor-made services to quality clients, which paves the way for the Group's B2B businesses.

For internal management, relying on the management software upgrade and detailed business operating procedures, the Group further enhanced the Group's management system in accordance with the regulatory rules and internal controls standards applicable to listed companies, thus achieving standardization and systemisation of the Group's business operation, financial management and staff management. All of the above ensured the internationalisation and standardization of the Group. By adopting a scientific management system, the Group increased its efficiency and optimized its management model, both of which builds effective management measures in place for the Group's future endeavors in setting up subsidiaries or acquiring other companies in different regions.

With regards to the capital operation, as the leading company in the sports industry in China and leveraging on the Group's listed company status, the Group enjoys easy access to domestic and international capital markets. In 2015, the Group will adopt a diversified approach to manage the access to capital. The Hongtu Fund will be mainly engaged in sports related projects which have taken shape but still require a certain period of development. The Wisdom Group will on the other hand focus on more mature targets, for example, the joint venture set up by Wisdom and the Main Bureau of Sports of Hubei Province. In addition, overseas sports related assets with premium quality are also the Group's potential objects for cooperation or acquisition.

The years of 2015 to 2017 will remain an important phase for the Group's strategic deployment and development in the sports industry. Through three years of careful and strategic planning, the Group aims to be involved in more businesses, including sporting events organisation, training, tourism, membership, lottery, insurance and shopping malls. With the establishment of O2O platform for sports and health, and the collection of end-user data of over tens of millions of sports enthusiasts, the Group can shape the overall product and service image of the sports industry either online or offline. Furthermore, the Group could pay more attention to B2C business as well as maintain the existing operation of B2B business at the same time. In so doing, the Group can capture the rapidly growing revenue and cash flows from individual consumer consumption, and become the leading company in the whole sports related industry.

Financial Review

Revenue

The Group's revenue increased by approximately 15.8% to RMB804.3 million for the year ended December 31, 2014 from RMB694.3 million for the year ended December 31, 2013. This increase was primarily due to an increase in revenue from Wisdom Events.

Revenue from Wisdom Events increased by approximately 148.7% to RMB253.1 million for the year ended December 31, 2014 from RMB101.8 million for the year ended December 31, 2013. This increase was primarily due to (i) an increase in revenue from the operation of new sports competitions and events, such as the "World Cup of International Dragon Boat Federation", marathons operated in more cities and "Season Run", the independently developed creative running event; and (ii) the increase in revenue from the continued operation of existing events such as Guangzhou Marathon and Hangzhou International Marathon, and the continued commercial development of such events.

Revenue from Wisdom Program & Branding decreased by approximately 7.0% to RMB551.2 million for the year ended December 31, 2014 from RMB592.5 million for the year ended December 31, 2013. This slight decrease was primarily due to the decrease in the revenue from the program production.

Cost of Services

The Group's cost of services increased by approximately 22.4% to RMB430.2 million for the year ended December 31, 2014 from RMB351.5 million for the year ended December 31, 2013. This increase was primarily due to an increase in the cost of services from Wisdom Events.

Cost of services for Wisdom Events increased by approximately 217.3% to RMB101.2 million for the year ended December 31, 2014 from RMB31.9 million for the year ended December 31, 2013. This increase was primarily due to the increase in the number of events held and the upgrade of the events.

Cost of services for Wisdom Program & Branding increased by approximately 2.9 % to RMB329.0 million for the year ended December 31, 2014 from RMB319.6 million for the year ended December 31, 2013. This increase was primarily due to an increase in the cost of advertising timeslots purchased from CCTV.

Gross Profit and Gross Margin

As a result of the above factors, the Group's gross profit increased by approximately 9.1% to RMB374.1 million for the year ended December 31, 2014 from RMB342.8 million for the year ended December 31, 2013. The gross margin for the Group decreased to approximately 46.5% for the year ended December 31, 2014 from 49.4% for the year ended December 31, 2013. The increase of the gross profit was primarily due to the increase in the gross profit from Wisdom Events. The decrease in the gross margin was primarily due to the decrease in the gross margin of Wisdom Events and that of Wisdom Program & Branding.

As a result of the foregoing changes in revenue and cost of services for Wisdom Events, the gross profit of Wisdom Events increased by approximately 117.3% to RMB151.9 million for the year ended December 31, 2014 from RMB69.9 million for the year ended December 31, 2013. This increase was primarily due to the exploration of more events and the commercial development of these events based on the extensive experience in organizing events. The gross margin of Wisdom Events decreased to 60.0% for the year ended December 31, 2014 from 68.7% for the year ended December 31, 2013. This decrease was primarily due to the increase in the cost from the upgrade of the sporting events.

As a result of the foregoing changes in revenue and cost of services for Wisdom Program & Branding, the gross profit of Wisdom Program & Branding decreased by approximately 18.6% to RMB222.2 million for the year ended December 31, 2014 from RMB272.9 million for the year ended December 31, 2013. The gross margin of Wisdom Program & Branding decreased to 40.3% for the year ended December 31, 2014 from 46.1% for the year ended December 31, 2013. This decrease was primarily due to the decrease in the revenue from program production with higher gross margin.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately 23.9% to RMB30.8 million for the year ended December 31, 2014 from RMB24.9 million for the year ended December 31, 2013. This increase was primarily because the Group strengthened its marketing and sales capabilities with the development of the new business expansion in 2014, which increased the number of sales staff and related expenses.

General and Administrative Expenses

The Group's general and administrative expenses increased by approximately 23.0% to RMB45.4 million for the year ended December 31, 2014 from RMB36.9 million for the year ended December 31, 2013. This increase was primarily because the Group continued to strengthen its management capabilities to complement the Group's business expansion, which increased the number of necessary staff, office premises and related expenses.

Other Income

The Group's other income was RMB7.3 million for the year ended December 31, 2014. There was no such income for the year ended December 31, 2013. Other income was primarily from the income generated from purchasing principal-guaranteed and low risk financial products offered by commercial banks with good reputation, for the purpose of maintaining and enhancing the value of the Group's capital.

Other Gain, Net

The Group's other gains, net increased by approximately 89.7% to RMB51.2 million for the year ended December 31, 2014 from RMB27.0 million for the year ended December 31, 2013. This increase was primarily due to (i) tax refund from governmental body; and (ii) gains generated from purchasing principal-guaranteed and low risk financial products offered by financial institutions with good reputation, for the purpose of maintaining and enhancing the value of the Group's capital.

Finance Income, Net

The Group's net finance income increased by approximately 3.4 times to RMB14.3 million for the year ended December 31, 2014 from RMB3.2 million for the year ended December 31, 2013. This increase was primarily due to interest income arising from bank deposits.

Profit Before Income Tax

As a result of the foregoing, the Group's profit before income tax increased by approximately 19.1% to RMB370.6 million for the year ended December 31, 2014 from RMB311.2 million for the year ended December 31, 2013.

Income Tax Expenses

The Group's income tax expenses increased by approximately 16.2% to RMB92.6 million for the year ended December 31, 2014 from RMB79.7 million for the year ended December 31, 2013. This increase was primarily attributable to an increase in the Group's taxable income.

The Group's effective tax rate for the year ended December 31, 2014 was 25.0%, compared to approximately 25.6% for the year ended December 31, 2013. This change was primarily due to the income generated from the offshore company in 2014, which was not subject to income tax.

Profit for the year

As a result of the foregoing, the Group's profit for the year increased by approximately 20.1% to RMB278.0 million for the year ended December 31, 2014 from RMB231.5 million for the year ended December 31, 2013. The Group's net profit margin increased from 33.3% for the year ended December 31, 2013 to 34.6% for the year ended December 31, 2014.

Cash Flows

As at December 31, 2014, the Group's cash and cash equivalents decreased to approximately RMB598.5 million from RMB819.9 million as at December 31, 2013. Aside from the deposits placed with state-owned banks and commercial banks with good reputation, the Group purchased principal-guaranteed, short-term and low risk financial products so as to ensure the security and value of the capital. Such products were offered and guaranteed by banks and financial institutions with good reputation. The principal of such products will be fully refunded upon maturity. Most of the terms of such products are less than three months while some of the products can be redeemed at any time. The annualized rate of return ranged from 2.8% to 5.7%. The Group takes a prudent approach in selecting financial products.

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

	For the year ended December 31,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	65,580	166,892
Net cash (used in)/generated from investing activities	(134,323)	2,682
Net cash (used in)/generated from financing activities	(153,271)	550,909
Net (decrease)/increase in cash and cash equivalents	(222,014)	720,483
Cash and cash equivalents at beginning of year	819,933	99,450
Exchange gains/(losses) on cash and cash equivalents	567	—
Cash and cash equivalents at end of year	598,486	819,933

Net Cash Generated from Operating Activities

Net cash generated from operating activities decreased to approximately RMB65.6 million for the year ended December 31, 2014 from RMB166.9 million for the year ended December 31, 2013. This decrease was mainly attributable to the business operation and the payments for taxes.

Net Cash Used in/Generated from Investing Activities

Net cash generated from investing activities amounted to RMB2.7 million for the year ended December 31, 2013 while net cash used in investing activities amounted to RMB134.3 million for the year ended December 31, 2014. The change was mainly attributable to the purchase of principal guaranteed low risk products from the commercial bank and large financial institution with good reputation in 2014.

Net Cash Used in/Generated from Financing Activities

Net cash generated from financing activities amounted to RMB550.9 million for the year ended December 31, 2013 while net cash used in financing activities amounted to RMB153.3 million for the year ended December 31, 2014. The change was because the Group received proceeds from the initial public offering in 2013, while the cash outflow was mainly due to the payment of dividend in 2014.

Working Capital

The Group's net current assets increased by approximately 12.7% to RMB1,162.5 million for the year ended December 31, 2014 from RMB1,031.5 million for the year ended December 31, 2013. The net current assets of the Group was stable, and the Group maintained working capital at a level that can adequately meet the working capital requirements and finance the business development.

Capital Expenditure

The total spending on the acquisition of property, plant and equipment amounted to RMB4.2 million for the year ended December 31, 2014.

LIQUIDITY AND FINANCIAL RESOURCES OF THE GROUP

In order to achieve better cost control and minimize the cost of funds, the Group's treasury activities are centralized and cash is generally deposited with banks and denominated mostly in RMB. As at December 31, 2014, the Group had net current assets of RMB1,162.5 million (December 31, 2013: RMB1,031.5 million), of which cash and cash equivalents amounted to RMB598.5 million (December 31, 2013: RMB819.9 million).

A prudent approach in treasury management has long been the Company's policy, ensuring that the Group maintains strong reserves of cash to finance its daily operations and future developments.

For the clients who purchase advertising time slots in Wisdom Program & Branding, the Group normally requires advance payment according to the specific payment schedules set forth in relevant advertisement placement agreements. The Group generally does not grant credit terms to these clients in the agreements with them, except for very few clients who have a large amount of transaction volume or long business relationship with the Group. For the clients of Wisdom Program & Branding who purchase advertising resources rather 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. For the clients of Wisdom Events, 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 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 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 to some of the clients in practice. Such extension of credit periods is granted on a case-by-case basis and not set forth in the payment terms in the agreements with relevant clients. The Group will continue to monitor the payment progress of these clients and take appropriate measures as to the collection of trade and notes receivables based on the Group's assessment and ongoing communications with the clients.

The Group has not experienced any material impact or effects on its operations or liquidity as a result of fluctuations in currency exchange rates for the year ended December 31, 2014. The Company 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 reorganization of the Company and the subsidiaries of the Company as set out in the prospectus of the Company dated June 28, 2013 (the “**Prospectus**”) was completed on June 24, 2013. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on July 11, 2013. On August 7, 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 May 23, 2014 to employees of the Company and as at the date of this announcement, no option has been exercised. Save for the above, there was no alternation in the capital structure of the Group for the year ended December 31, 2014.

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

On October 27, 2014, Beijing Wisdom Media Holding Co., Ltd. (“**Beijing Wisdom Media**”), a wholly owned subsidiary of the Company, entered into a limited partnership agreement with SCG and Hongtu Jingshan, pursuant to which Beijing Wisdom Media agreed to make a capital contribution of RMB75 million for the joint establishment of Hongtu Fund. Please refer to the announcement dated October 27, 2014 for details. Save as disclosed above, for the year ended December 31, 2014, the Company had no material investment, material acquisition and disposal of subsidiaries. The Company has no plan for material investment or acquisition of material capital asset.

CHARGE ON ASSETS

For the year ended December 31, 2014, there was no charge on the Group’s assets.

FINANCIAL RATIO

Financial ratio	As at December 31, 2014	As at December 31, 2013
Current ratio	989.7%	864.7%
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 December 31, 2013 and December 31, 2014.

CONTINGENT LIABILITIES

As at December 31, 2014, the Company had no material contingent liabilities.

HUMAN RESOURCES

The total number of employees of the Group was 151 as at December 31, 2014. The Group implements remuneration policy that is competitive in the industry, and pays commissions and discretionary bonus to its sales personnel and other employees with reference to performance of the Group and individual employees. The total cost of the employees for the year ended December 31, 2014 amounted to RMB36.3 million.

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

The Group also selects potential management staff to receive advance training in domestic leading business schools regularly, aiming at enhancing their all-round capability.

Consolidated Statement of Comprehensive Income

		Year ended December 31,	
		2014	2013
	Note	RMB'000	RMB'000
Revenue	3	804,301	694,308
Cost of services	4	<u>(430,207)</u>	<u>(351,481)</u>
Gross profit		374,094	342,827
Selling and distribution expenses	4	(30,826)	(24,876)
General and administrative expenses	4	(45,431)	(36,925)
Other income	5	7,291	—
Other gain, net	6	<u>51,157</u>	<u>26,974</u>
Operating profit		356,285	308,000
Finance income	7	14,995	8,565
Finance costs	7	<u>(682)</u>	<u>(5,336)</u>
Finance income, net	7	<u>14,313</u>	<u>3,229</u>
Profit before income tax		370,598	311,229
Income tax expenses	8	<u>(92,604)</u>	<u>(79,716)</u>
Profit for the year		<u>277,994</u>	<u>231,513</u>
Profit attributable to owners of the Company		<u>277,994</u>	<u>231,513</u>
		<u>277,994</u>	<u>231,513</u>
Other comprehensive income:			
Foreign currency translation adjustment		<u>—</u>	<u>(33)</u>
Total comprehensive income for the year		<u>277,994</u>	<u>231,480</u>
Attributable to:			
Owners of the Company		<u>277,994</u>	<u>231,480</u>
Total comprehensive income for the year		<u>277,994</u>	<u>231,480</u>

Consolidated Statement of Comprehensive Income (Continued)

		Year ended December 31,	
		2014	2013
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Earnings per share attributable to owners of the Company			
Basic earnings per share	<i>9</i>	<u>RMB0.17</u>	<u>RMB0.17</u>
Diluted earnings per share	<i>9</i>	<u>RMB0.17</u>	<u>RMB0.17</u>
Dividends	<i>10</i>	<u>149,641</u>	<u>229,641</u>

Consolidated Balance Sheet

		As at December 31,	
		2014	2013
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		11,735	35,677
Investment property		21,992	—
Intangible assets		2,074	2,276
Deferred income tax assets		967	906
Total non-current assets		36,768	38,859
Current assets			
Capitalized program costs		2,013	2,820
Trade and notes receivables	11	310,725	171,271
Other receivables	12	127,303	75,042
Prepayments and other current assets	13	99,355	97,289
Financial assets at fair value through profit and loss	14	155,233	—
Cash and cash equivalents		598,486	819,933
Total current assets		1,293,115	1,166,355
Total assets		1,329,883	1,205,214
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	2,479	2,479
Share premium	15	487,532	636,634
— Proposed final dividend		149,641	149,641
— Others		337,891	486,993
Reserves	16	121,274	117,067
Retained earnings		587,935	314,148
Total equity		1,199,220	1,070,328

Consolidated Balance Sheet (Continued)

		As at December 31,	
		2014	2013
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Current liabilities			
Trade payables	17	14,565	25,834
Other payables	18	13,111	14,403
Advance from customers		16,584	12,796
Tax payables		86,403	81,853
		<hr/>	<hr/>
Total current liabilities		130,663	134,886
		<hr/>	<hr/>
Total liabilities		130,663	134,886
		<hr/>	<hr/>
Total equity and liabilities		1,329,883	1,205,214
		<hr/>	<hr/>
Net current assets		1,162,452	1,031,469
		<hr/>	<hr/>
Total assets less current liabilities		1,199,220	1,070,328
		<hr/>	<hr/>

Notes to the consolidated financial statements

1. General Information

Wisdom Holdings Group (the “Company”) was incorporated in the Cayman Islands on March 21, 2012 as an exempted company with limited liability under the Companies Law, Cap 22 (2012 Revision) of the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hut chins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) is principally engaged in the provision of events services and program & branding services, in the People’s Republic of China (the “PRC” or “China”).

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since July 11, 2013 (“Listing”).

These consolidated financial statements are presented in thousands of Renminbi (“RMB’000”), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on March 24, 2015.

2. Basis of presentation and accounting policy

The consolidated financial statements have been prepared in accordance with HKFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit and loss, which are carried at fair value.

Changes in accounting policy and disclosures

Adoption of new and revised standards and amendments to standards

The Group has adopted the following new and revised standards and amendments to standards for the first time for the financial year beginning on January 1, 2014:

HKAS 32 (Amendment)	Financial instruments: Presentation
HKAS 36 (Amendment)	Impairment of assets
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement
HK (IFRIC) 21 (Amendment)	Levies
HKFRS 10, HKFRS 12 and HKFRS 27 (Amendment)	Consolidation for investment entities
Annual Improvements Project	Annual Improvements 2010–2012 cycle

The adoption of the above standards, amendments and interpretations does not have any significant financial impact to the Group.

3. Revenue and Segment information

The Chief Executive Officer is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Chief Executive Officer for the purposes of allocating resources and assessing performance.

The Group merges the program production and related services (“**Wisdom Program**”) business unit and advertising services (“**Wisdom Branding**”) business unit into one business unit Wisdom Program & Branding, as the Chief Executive Officer does not consider either the Wisdom Program business or Wisdom Branding business to be a business that should be separately reviewed. After this mergence, there are two reportable segments in the Group, consisting of Wisdom Events and Wisdom Program & Branding. The Group has restated the presentation of its reportable segments for prior periods to conform to the current presentation.

The segment information provided to the Chief Executive Officer for the reportable segments for the year ended December 31, 2014 is as follows:

	Wisdom Events <i>RMB'000</i>	Wisdom Program & Branding <i>RMB'000</i>	Headquarters (Unallocated) <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers	253,091	551,210	—	804,301
Cost of services	(101,198)	(329,009)	—	(430,207)
— Depreciation and amortization	(1,426)	(1,600)	—	(3,026)
Gross profit	151,893	222,201	—	374,094
Selling and distribution expenses			(30,826)	(30,826)
General and administrative expenses			(45,431)	(45,431)
Other income			7,291	7,291
Other gain, net			51,157	51,157
Finance income			14,995	14,995
Finance costs			(682)	(682)
Income tax expenses			(92,604)	(92,604)
Profit for the year				<u><u>277,994</u></u>

The segment information provided to the Chief Executive Officer for the reportable segments for the year ended December 31, 2013 is as follows:

(Restated)	Wisdom Events <i>RMB'000</i>	Wisdom Program & Branding <i>RMB'000</i>	Headquarters (Unallocated) <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers	101,786	592,522	—	694,308
Cost of services	(31,894)	(319,587)	—	(351,481)
— Depreciation and amortization	(965)	(1,336)	—	(2,301)
Gross profit	69,892	272,935	—	342,827
Selling and distribution expenses			(24,876)	(24,876)
General and administrative expenses			(36,925)	(36,925)
Other income			—	—
Other gain, net			26,974	26,974
Finance income			8,565	8,565
Finance costs			(5,336)	(5,336)
Income tax expenses			(79,716)	(79,716)
Profit for the year				<u><u>231,513</u></u>

No segment assets or liabilities information is provided as the Chief Executive Officer does not review a measure of assets or a measure of liabilities by reportable segments.

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.

For the year ended December 31, 2014, no individual revenue from one customer represent over 10% of the Group's total revenue.

For the year ended December 31, 2013, no individual revenue from one customer represent over 10% of the Group's total revenue.

4. Expenses by Nature

	Year ended December 31,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Event organization and related costs	96,866	26,070
Advertising time slots, program production and related costs	321,166	308,898
Employee benefit expenses	36,342	28,397
Entertainment expenses	979	1,402
Operating lease rentals	11,189	7,371
General office expenses	9,704	12,475
Travelling expenses	6,144	6,686
Depreciation and amortization	6,541	5,261
Professional fees	5,293	6,638
Remuneration — audit fees	3,600	3,321
Remuneration — non-audit fees	3,600	2,134
Promotion related expenses	5,040	4,629
	<u>506,464</u>	<u>413,282</u>

5. Other Income

	Year ended December 31,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Investment income of other financial assets	5,626	—
Rental income from investment property	1,665	—
	<u>7,291</u>	<u>—</u>

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 bank. The investments are denominated in RMB and with maturity periods within three months. The balance of other financial assets as of December 31, 2014 is nil.

6. Other Gain, net

	Year ended December 31,	
	2014	2013
	RMB'000	RMB'000
Financial assets at fair value through profit or loss — fair value gain (a)	5,233	—
Government grants (b)	46,036	26,360
Others	(112)	614
	<u>51,157</u>	<u>26,974</u>

(a) The financial assets at fair value through profit and loss are investment products held for trading.

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

7. Finance Income, net

	Year ended December 31,	
	2014	2013
	RMB'000	RMB'000
Finance income:		
— Interest income on short-term bank deposits	<u>14,995</u>	<u>8,565</u>
Finance costs:		
— Bank charges	(55)	(39)
— Exchange losses	<u>(627)</u>	<u>(5,297)</u>
	<u>(682)</u>	<u>(5,336)</u>
Finance income, net	<u>14,313</u>	<u>3,229</u>

8. Income Tax Expenses

The Group is subject to income tax on an entity basis on profits arising on or derived from the jurisdictions in which members of the Group are domiciled and operate.

	Year ended December 31,	
	2014	2013
	RMB'000	RMB'000
Current income tax	92,669	79,901
Deferred income tax	<u>(65)</u>	<u>(185)</u>
Income tax expense	<u>92,604</u>	<u>79,716</u>

(i) Cayman Islands profits tax

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

(ii) *Hong Kong profits tax*

No Hong Kong profits tax has been provided, as the Group has no taxable profit earned or derived in Hong Kong. The applicable Hong Kong profit tax rate is 16.5% for the year ended December 31, 2014 (2013: 16.5%).

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

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

9. Earnings Per Share

(a) *Basic earnings per share*

Basic earnings per share for the years ended December 31, 2014 and 2013 is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue.

	Year ended December 31,	
	2014	2013
	RMB'000	RMB'000
Profit attributable to owners of the Company	277,994	231,513
Weighted average numbers of ordinary shares in issue (thousands)	1,609,045	1,394,328
	<hr/>	<hr/>
Basic and diluted earnings per share	RMB0.17	RMB0.17
	<hr/>	<hr/>

(b) *Diluted earnings per share*

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company potential ordinary shares comprise shares to be issued under its share options outstanding of 1,210,000 shares (2013: nil). As at December 31, 2014, as the quoted price of share of the Company was lower than the assumed exercise price of the share options outstanding, there was no potential diluted ordinary share.

10. Dividends

	2014	2013
	RMB'000	RMB'000
Interim dividend paid of RMB nil (2013:RMB nil) per ordinary share	—	—
Proposed final dividend of RMB0.093 (2013: RMB0.093) per ordinary share (a)	149,641	149,641
Special dividend paid by a subsidiary to then-existing shareholders (b)	—	80,000
	<hr/>	<hr/>
	149,641	229,641
	<hr/>	<hr/>

- (a) A dividend in respect of the year ended December 31, 2014 of RMB0.093 per share, amounting to a total dividend of RMB149,641,000, is to be proposed for approval by the Company's shareholders at the forthcoming annual general meeting in 2015. These financial statements do not reflect this dividend payable.

A dividend in respect of the year ended December 31, 2013 of RMB0.093 per share, amounting to a total dividend of RMB149,641,000, was declared on May 16, 2014 and was paid in full in June 2014.

The aggregate amounts of the dividends paid and proposed during 2013 and 2014 have been disclosed in the consolidated statement of comprehensive income in accordance with the Hong Kong Companies Ordinance.

- (b) On May 21, 2013, Beijing Wisdom Media declared dividends amounting to RMB80,000,000, prior to Listing to the then existing shareholders. The dividend was paid in full in June 2013.

11. Trade and Notes Receivables

	As at December 31,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables (a)	301,623	161,539
Notes receivables (b)	9,102	9,732
	<u>310,725</u>	<u>171,271</u>

The carrying amounts of receivables approximate their fair values.

- (a) The aging analysis based on recognition date of the above trade receivables is as follows:

	As at December 31,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	109,602	117,188
1 to 3 months	131,099	25,756
4 to 6 months	18,440	12,020
7 to 12 months	24,414	4,274
Over 12 months	18,068	2,301
	<u>301,623</u>	<u>161,539</u>

As at December 31, 2014 and 2013, no trade receivables were impaired and provided for. The maximum exposure to credit risk at the reporting date is the carrying value of the receivables mentioned above. The Group does not hold any collateral as security.

As of 31 December 2014, trade receivables of RMB42,482,000 (2013: RMB6,575,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	As at December 31,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Past due 1 to 6 months	24,414	4,274
Past due over 6 months	18,068	2,301
	<u>42,482</u>	<u>6,575</u>

(b) All the notes receivables with original term are due in 6 months.

The carrying amounts of receivables are all denominated in RMB.

12. Other Receivables

	As at December 31,	
	2014	2013
	RMB'000	RMB'000
Government grant receivables	62,399	26,360
Deposits with media companies	49,736	33,437
Advance to employees	10,736	9,338
Lease and other deposits	3,365	3,992
Interest receivable	654	1,348
Others	413	567
	<u>127,303</u>	<u>75,042</u>

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

The carrying amounts of the other receivables approximate their fair values.

No provisions or write-offs were recorded for other receivables for the year ended December 31, 2014 (2013: nil). The maximum exposure to credit risk at the reporting date is the carrying value of the receivables mentioned above. The Group does not hold any collateral as security.

13. Prepayments and Other Current Assets

	As at December 31,	
	2014	2013
	RMB'000	RMB'000
Prepayment for advertising timeslots	81,692	86,904
Prepaid membership fee	1,565	1,421
Prepaid lease and property management fees	3,701	2,408
Prepayment for sport competition, event organization expense	9,425	5,044
Prepayment for programme production expense	1,058	1,060
Others	1,914	452
	<u>99,355</u>	<u>97,289</u>

14. Financial assets at Fair Value through Profit and Loss

	As at December 31,	
	2014	2013
	RMB'000	RMB'000
Investment products held for trading	<u>155,233</u>	<u>—</u>

The above financial asset was acquired on January 24, 2014 and matured in February 2015. It is recorded in the consolidated balance sheet at fair value as of December 31, 2014.

Changes in fair values of financial assets at fair value through profit or loss are recorded in “other gain, net” in the consolidated statement of comprehensive income.

The fair value of the financial assets is based on their current bid prices in an active market.

15. Share capital and Share premium

	Number of shares (thousand)	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Issued and fully paid:				
At January 1, 2013	10	63	3,141	3,204
Share Subdivision (Note b)	39,990	—	—	—
Issuance of new shares upon the capitalization of share premium (Note c)	1,160,000	1,786	(1,786)	—
Net proceeds from issuance of new shares (Note d)	409,045	630	635,279	635,909
At December 31, 2013	<u>1,609,045</u>	<u>2,479</u>	<u>636,634</u>	<u>639,113</u>
Dividends declared and paid in June 2014 (Note 10)	—	—	(149,641)	(149,641)
Share-based payment (Note e)	—	—	539	539
At December 31, 2014	<u>1,609,045</u>	<u>2,479</u>	<u>487,532</u>	<u>490,011</u>
Represented by:				
Proposed final dividend (Note 10) (Note f)			149,641	
Others			<u>337,891</u>	
			<u>487,532</u>	

The total authorized number of ordinary shares is 4,000,000,000 shares (2013: 4,000,000,000 shares) with a par value of US\$0.00025 per share (2013:US\$0.00025 per share). All issued shares are fully paid.

Note:

- The Company was incorporated on March 21, 2012 with an authorized capital of 50,000 ordinary shares with a nominal value of US\$1.00 each. On the date of incorporation, 8,800 shares were issued at nominal value. On June 28, 2012, 1,000 shares were issued at nominal value. On July 3, 2012, 200 shares were issued at a total consideration of US\$500,000. Accordingly, the total number of issued ordinary shares was increased to 10,000 shares with a nominal value of US\$1.00 each. Considerations in respect of issuance of shares were fully paid. Considerations exceeding the carrying value of the ordinary shares were recorded as share premium, amounting to US\$499,800 (equivalent to RMB3,141,000).
- On June 14, 2013, the shareholders of the Company resolved to approve the subdivision of each issued and unissued ordinary share of US\$1.00 each in the share capital of the Company to 4,000 shares with a nominal value of US\$0.00025 each. The shareholders also resolved to approve to increase the authorized share capital of the Company from US\$50,000 to US\$1,000,000 by the creation of an additional 3,800,000,000 shares with a nominal value of US\$0.00025 each. Accordingly, the authorized share capital of the Company became US\$1,000,000 divided into 4,000,000,000 ordinary shares with a nominal value of US\$0.00025 each, and the issued share capital of the Company became US\$10,000 divided into 40,000,000 ordinary shares with a nominal value of US\$0.00025 each. As a result, additional 39,990,000 shares were issued.
- On June 14, 2013, the shareholders of the Company resolved to capitalize an amount of US\$290,000 (equivalent to RMB1,786,000) from the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par 1,160,000,000 shares for allotment and issue to the shareholders in proportion to their respective shareholding, appear on the register of members of the Company at the close of business on June 14, 2013 in proportion to their then existing shareholdings in the Company, each ranking pari passu in all respects with the then existing issued shares, and the Directors of the Company were authorized to give effect to such capitalization and distributions.

- (d) On July 11, 2013, the Company was listed on the Main Board of the Stock Exchange by way of share offer of 400,000,000 new shares at HK\$2.11 per share (par value of US\$0.00025). On August 7, 2013, 9,045,000 new shares were further issued by the Company at HK\$2.11 per share (par value of US\$0.00025) after the over-allotment option was fully exercised by the stabilization manager. The net proceeds received from the share offer and the over-allotment credited to share capital and share premium were RMB630,000 and RMB635,279,000 respectively.
- (e) Share options to subscribe for a total of 1,210,000 shares of the Company (the “Options”) were granted on May 23, 2014 to employees of the Company (the “Grantees”). The exercise price of the Options granted is HK\$3.92 per Share and the closing price of the shares of the Company immediately before the date on which the Options were granted was HK\$4.01. 25% of the Options will become exercisable on each of May 23, 2015, May 23, 2016, May 23, 2017 and May 23, 2018 respectively subject to the satisfaction of the individual performance assessment of the Grantees for the relevant years. The Options are exercisable from the vesting dates mentioned above to May 22, 2024. All of the Grantees are employees of the Company and its subsidiaries, and none of the Grantees is a director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company, nor an associate (as defined in the Listing Rules) of any of them.

A valuation analysis in connection with the estimation of the fair value of the stock options granted by the Company was performed by an international professional valuer.

The Black-Scholes Option Pricing Model was used in the valuation of the options which derived a formula for the value of a call option, assuming that the risk-free interest rate and stock price volatility are constant over the life of the option. The significant inputs to the model are summarised as below:

Stock price (HKD)	3.92
Exercise price (HKD)	3.92
Expected holding year	4
Risk-free rate per annum	1.11%
Volatility	45%
Expected dividend yield	—

According to the valuation report issued by the valuer, the total fair value of share options granted was estimated to be RMB1,705,000 and the share-based payment recognized in 2014 amounted to RMB539,000 on this basis.

For the year ended December 31, 2014, no option has been exercised. No option was cancelled or lapsed in accordance with the terms of the Share Option Scheme for the year ended December 31, 2014.

- (f) 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.

16. Reserves

	Statutory reserves (Note a) RMB'000	Other reserves RMB'000	Total RMB'000
At January 1, 2013	23,697	82,185	105,882
Statutory reserves appropriation	11,218	—	11,218
Foreign currency translation adjustment	—	(33)	(33)
At December 31, 2013	34,915	82,152	117,067
Statutory reserves appropriation	4,457	—	4,457
Foreign currency translation adjustment	—	—	—
Disposal of a subsidiary	—	(250)	(250)
At December 31, 2014	<u>39,372</u>	<u>81,902</u>	<u>121,274</u>

Note:

- (a) 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.

17. Trade Payables

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

	As at December 31,	
	2014	2013
	RMB'000	RMB'000
Within 1 month	12,205	14,880
1 to 3 months	24	1,947
4 to 6 months	—	164
7 to 12 months	1,871	2,175
Over 12 months	465	6,668
	<u>14,565</u>	<u>25,834</u>

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

18. Other Payables

	As at December 31,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Payroll	4,100	3,640
IPO-related expenses	—	3,630
Deposit	37	2,800
Non-audit fee	3,844	—
Audit fee	2,800	2,400
Others	2,330	1,933
	13,111	14,403

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

USE OF PROCEEDS FROM LISTING

The net proceeds from issue of new shares of the Company in its global offering and the partial exercise of over-allotment option (after deducting the underwriting fees, capitalized professional services fees and related expenses) amounted to approximately RMB635.9 million, which are intended to be applied in the manner as disclosed in the Prospectus of the Company in respect of the global offering of its shares. As at December 31, 2014, part of the proceeds has been applied as follows:

RMB290 million raised through the listing has been used for the registered capital of Wisdom Culture (Zhejiang) Co., Ltd. (智美文化(浙江)有限公司). The core business of Wisdom Culture (Zhejiang) Co., Ltd. will focus on organizing sports competitions and related events, the development of sports related products, brand promotion and communications services. The remaining net proceeds from the listing will be used for the suggested purposes as set out in the section headed “Use of Proceeds” of the Prospectus.

DIVIDENDS

No interim dividend was paid by the Company for the period ended June 30, 2014. The Board recommends a payment of final dividend of RMB0.093 per Share for the year ended December 31, 2014 to the shareholders whose names appear on the register of members of the Company on May 28, 2015. It is expected that the final dividend will be paid on June 10, 2015 in Hong Kong dollars at the spot rate published by The People’s Bank of China on May 28, 2015.

The proposed declaration of final dividend is subject to the shareholders’ approval at the forthcoming annual general meeting (the “AGM”). The AGM is expected to be held on May 14, 2015.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended December 31, 2014.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 for the year ended December 31, 2014, the Company has complied with the code provisions as set out in the CG Code, save and except for code provisions A.1.1 and A.2.1. Details is set out below.

Code provision A.1.1 of the CG Code stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

During the year ended December 31, 2014, three regular Board meetings were held. The Company does not announce its quarterly results and hence no regular Board meeting was held for the fourth quarter of 2014. Even though there was no Board meeting held during the fourth quarter of 2014, the Company's business, operation and management have been conducted properly under the management and supervision of the executive Directors. The Company will ensure compliance with the requirement of code provision A.1.1 with the CG Code in the future.

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

During the year ended December 31, 2014, Ms. Ren Wen, who acts as the chairlady of the Board and an executive Director, was also the president of the Company, responsible for overall management and formulation of business strategy of the Group. The Board meets from time to time 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.

Since March 24, 2015, however, Ms. Ren Wen ceased to act as the president of the Company and Dr. Shen Wei, an executive Director, was appointed as the president of the Company as the Company understands the importance of division of responsibilities between the chairlady and the president as well as the importance of compliance with the code provision A.2.1 of the CG Code. Ms. Ren Wen remains as the chairlady of the Board and an executive Director. For details, please refer to the Company's announcement dated March 24, 2015.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the “Model Code for Securities Transaction by Directors of Listed Issuers” (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors’ securities transactions. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the Model Code for the year ended December 31, 2014.

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 for the year ended December 31, 2014.

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 as set out in Appendix 14 to the Listing Rules for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The Audit Committee comprises three members, two being independent non-executive Directors and one being a non-executive Director, namely, Mr. Wei Kevin Cheng, as its Chairman, Mr. Jin Guoqiang and Mr. Xu Jiongwei.

The Audit Committee met with the external auditor of the Company to discuss the review process and accounting issues of the Audit Committee. The Audit Committee, together with the management of the Company, has reviewed the audited consolidated financial statements for the year ended December 31, 2014 of the Group and considers it in compliance with generally accepted accounting principles as well as laws and regulations.

AUDITOR

PricewaterhouseCoopers has acted as auditor of the Company for the year ended December 31, 2014. The Company has not changed its external auditor since its listing in July 2013 and up to the date of this announcement.

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

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the preliminary announcement of the Group's results for the year ended December 31, 2014 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

POST BALANCE SHEET EVENTS

The Group uses its treasury to purchase the financial products offered by commercial banks in China from time to time. During the period since December 31, 2014 to the date of this announcement, the Group purchased three principal-guaranteed and short-term financial products issued by a commercial bank in China amounting to RMB150,000,000, RMB60,000,000 and RMB100,000,000 respectively. Save as disclosed above, there is no occurrence of events that had a significant impact on the Group's operation, financial and trading prospects since December 31, 2014 to the date of this announcement.

CLOSURE OF SHARE REGISTER OF MEMBERS

The AGM is expected be held on Thursday, May 14, 2015. In order to determine the shareholders who will be qualified for attending and voting at the AGM, the register of members of the Company will be closed from Tuesday, May 12, 2015 to Thursday, May 14, 2015, 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 Monday, May 11, 2015 for registration. For details of the AGM, please refer to the notice of AGM which is expected to be issued on April 14, 2015.

The record date for entitlement of the proposed final dividend is Thursday, May 28, 2015. 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 Tuesday, May 26, 2015 to Thursday, May 28, 2015, 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 certificates, must be lodged with the office of the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, 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, May 22, 2015. It is expected that the final dividend will be paid on Wednesday, June 10, 2015.

PUBLICATION OF CIRCULAR AND ANNUAL REPORT

A circular containing, inter alia, the information required by the Listing Rules, together with the notice of the AGM, will be despatched to the shareholders in due course.

The annual report of the Company for the year ended December 31, 2014 will be despatched to the shareholders and published on the website of the Stock Exchange's website (<http://www.hkex.com.hk>) and the Company's website (<http://www.wisdom-china.cn>) in due course.

By order of the Board
Wisdom Holdings Group
Ren Wen
Chairlady and Executive Director

Hong Kong, March 24, 2015

As at the date of this announcement, the executive directors of the Company are Ms. Ren Wen, Mr. Sheng Jie, Mr. Zhang Han and Dr. Shen Wei; the non-executive directors of the Company are Mr. Jin Haitao and Mr. Xu Jiongwei; and the independent non-executive directors of the Company are Mr. Wei Kevin Cheng, Mr. Ip Kwok On Sammy and Mr. Jin Guoqiang.