Web Proof Information Pack of

WISDOM HOLDINGS GROUP

智美控股集团

(Incorporated in the Cayman Islands with limited liability)

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CONTENTS

This Web Proof Information Pack contains the following information relating to the Company:-

YOU SHOULD READ THE SECTION HEADED "WARNING" ON THE COVER OF THIS WEB PROOF INFORMATION PACK.

OVERVIEW

We are a media investment management[(1)] services provider, TV programs producer and distributor and sports competitions organizer in China. Our business of media investment management and branding and identity services contributed 68.7% and 79.8% of our total gross profit and total revenue in 2012, respectively. We believe we distinguish ourselves from traditional advertising companies in China by providing not only conventional branding services, but also producing TV programs and organizing sports competitions. Our program production and sports competitions organization businesses enjoyed higher profit margins compared with our advertising business during the Track Record Period. We believe that our continued emphasis on program production and sports competitions organization businesses will enable us to leverage on the higher growth potential that these businesses can offer. We believe that our emphasis on program production and sports competitions organization businesses also reflects the development trend in the marketing communications industry in China. Our main clients include automobile companies and other high-end brand owners, as well as the advertising agencies that represent them. According to a report prepared by Ipsos, an international market research firm, we ranked first among automobile-related TV program production companies in China in terms of production hours of automobile-related TV programs in 2012.

We began our business in 2006 and currently offer our services through three business units, namely, Wisdom Program, Wisdom Sports and Wisdom Branding. Wisdom Program focuses on the production of video programs that are broadcasted on television and through the Internet to personal computers and mobile devices. We launched a new TV variety show entitled "Lucky Go (週末駕到 /天天駕到)" in November 2012, which is currently broadcasted nationwide through Chongqing Satellite TV. We will continue to re-allocate our attention and resources to focus on producing new TV programs which will better cater for the needs of TV audience. Wisdom Sports organizes, manages and promotes domestic and international sports competitions and other marketing events, particularly those that are automobile-related. We have cooperated with international sports organizations or government authorities and organized sports competitions in China, such as "FIM Freestyle Motocross World Championship (國際摩聯花式極限摩托世界錦標賽)", "China Classic Car Rally (老式汽車中國拉力賽)" and "Guangzhou Marathon (廣州馬拉松)". Wisdom Branding offers media investment management and branding and identity services, in part by leveraging on our exclusive rights to advertising time slots for selected TV programs on nationally broadcast television channels of CCTV, China's largest television network. We received the "Integrated Marketing Communications Award of Automobile Industry in China (中國汽車行業整合傳播大獎)" in 2012. We summarize our vision and commitment with the slogan "傳播中國智慧".

The majority of the services we provide relate to China's fast-growing automobile industry, particularly the passenger vehicle industry. According to the China Association of Automobile Manufacturers, production of passenger vehicles (by unit) in the PRC grew by a CAGR of 35.3% from 2001 to 2011. Through our long-term services for many leading domestic or foreign-invested automobile companies in China, including GAC Toyota Motor Co., Ltd., or GAC Toyota (廣汽豐田), and BYD Auto Co., Ltd., or BYD (比亞迪), we have acquired a deep understanding and extensive knowledge of the evolving preferences and behavior of Chinese consumers with higher-than-average disposable income. Such understanding and knowledge has helped us successfully serve other non-automotive high-end brand owners, including those in the financial products, consumer electronics, wine and liquor, high-end apparel and tourism industries, that target similar consumer groups. This has allowed us to diversify our client base. During the Track Record Period, we served 314 brands, of which 105 were in the automobile industry and 209 were in non-automobile industries. Our revenues (inclusive of sales-related taxes) generated from non-automobile-related brand owners accounted for approximately 32.9%, 40.6% and 60.3% of our revenues (inclusive of sales-related taxes) in 2010, 2011 and 2012, respectively. This trend shows our increasing level of client diversification.

(1) A type of business in which the service provider purchases advertising resources from media operators and generates revenues from sales of relevant advertising resources to its clients. Such service provider typically acts as the principal rather than the agent in rendering media investment management services and bears the inventory risks of the advertising resources secured by it from the media operators.

We have experienced significant growth in our business during the Track Record Period. Our revenues increased from RMB298.2 million in 2010 to RMB471.4 million in 2011, and further to RMB557.2 million in 2012, representing a CAGR of 36.7%. Our profit for the year increased from RMB57.4 million in 2010 to RMB85.5 million in 2011, and further to RMB132.0 million in 2012, representing a CAGR of 51.6%.

OUR COMPETITIVE STRENGTHS

We believe we have the following competitive strengths:

- Our program production and sports competitions organization businesses target the general public leveraging on our profound local knowledge and experience in China;
- Our integrated business model provides us with multiple revenue streams and enhances our cost efficiency;
- We are a sports competitions organizer and media products provider with expertise in China's fast-growing automobile industry and are developing a diverse customer base;
- We have developed business relationships with selected media operators in China with an integrated coverage by CCTV, satellite and local TV channels; and
- We have a strong and stable management team with extensive industry experience and a track record, supported by other skilled managers and professionals.

OUR STRATEGIES

We intend to strengthen our position by implementing the following strategies:

- Introduce international sports competitions to China, develop new sports competitions and extend our involvement in the industry value chain for sports competitions by launching related derivative products and services;
- Continue to develop new media channels for our program production business and explore e-commerce opportunities;
- Strengthen our research and development initiatives and enhance our proprietary consumer information database and media information database to improve our capabilities in providing branding and identity services;
- Enhance the business-to-customer profit model through producing entertainment TV programs and organizing sports competitions targeting the general public; and
- Expand our market share and geographic presence through our own development and production efforts or by pursuing acquisitions of new media resources or businesses.

OUR SERVICES

We are a sports competitions organizer and media products provider in China integrating organization of sports competitions and events, production of TV programs and provision of branding services. We currently offer our services through three business units, namely, Wisdom Branding, Wisdom Program and Wisdom Sports.

- Wisdom Branding offers media investment management and branding and identity services. For media investment management business, we generate revenues from selling the TV advertising time slots and advertising space to which we acquired exclusive rights from media operators to our clients and recognize as our revenues the amounts paid to us by our clients. Our existing exclusive rights to advertising time slots for five CCTV programs will be due for renewal at the end of 2013. We cannot assure you that our existing exclusive rights to advertising time slots for the five CCTV programs will be renewed after the end of 2013. Our branding and identity services offer (i) branding strategy consultancy services, and (ii) advertisement agency services to our clients. We receive revenues from our clients for our consultancy work and our design of promotional packages in our branding strategy consultancy services. We also derive revenues from advertisement agency services from the commissions paid by our clients, which typically represent the difference between the price we charge to our advertising clients and the price we pay for available advertising time slots to which we do not have exclusive rights.

- Wisdom Program focuses on the production of video programs that are broadcasted on television and through the Internet to personal computers and mobile devices. It mainly generates revenues from the sale of the advertising time slots as well as from the embedded advertisements sponsored by our clients. In addition, we also receive production fees from our clients for the video programs, TV commercials and corporate videos they commission us to produce; we currently do not intend to actively seek to be commissioned by clients to produce these client-commissioned video programs in 2013.

- Wisdom Sports organizes, manages and promotes domestic and international sports competitions and other marketing events, particularly those that are automobile-related. Our Wisdom Sports unit generates revenues from the sponsorship fees from automobile-related and other brand owners, the sale of advertising space at competition and event venues, registration fees from contestants and ticket sales to spectators.

The table below sets forth a breakdown of our revenues by business unit for the periods indicated:

	Year ended December 31,					
	2010		2011		2012	
	RMB'000	%	RMB'000	%	RMB'000	%
Wisdom Branding	237,315	79.6	377,723	80.1	444,442	79.8
Wisdom Program	27,449	9.2	56,647	12.0	58,323	10.4
Wisdom Sports	33,405	11.2	37,021	7.9	54,448	9.8
Total	**298,169**	**100.0**	**471,391**	**100.0**	**557,213**	**100.0**

Our revenues increased by 18.2% to RMB557.2 million in the year ended December 31, 2012 from RMB471.4 million in the year ended December 31, 2011. This increase was primarily due to increases in revenues from Wisdom Sports and Wisdom Branding as a result of the launch of three new sports competitions in 2012 and the increase in revenues generated from the advertising time slots for two CCTV programs. Our revenues increased by 58.1% to RMB471.4 million in the year ended December 31, 2011 from RMB298.2 million in the year ended December 31, 2010. This increase was primarily due to an increase in the revenues from Wisdom Branding as a result of full-year contribution from two CCTV programs in the year ended December 31, 2011 of which we secured exclusive rights to relevant advertising time slots in April 2010 and November 2011, respectively. For more detailed information, see the section headed "Financial Information — Results of Operations".

The table below sets forth our gross profit and gross margin of each business unit for the periods indicated:

	Year ended December 31,								
	2010			2011			2012		
	RMB'000	% of total gross profit	gross margin %	RMB'000	% of total gross profit	gross margin %	RMB'000	% of total gross profit	gross margin %
Wisdom Branding	58,900	61.1	24.8	88,598	61.0	23.5	149,116	68.7	33.6
Wisdom Program	11,479	11.9	41.8	22,404	15.4	39.6	32,405	14.9	55.6
Wisdom Sports	26,081	27.0	78.1	34,177	23.6	92.3	35,442	16.4	65.1
Total	**96,460**	**100.0**	**32.4**	**145,179**	**100.0**	**30.8**	**216,963**	**100.0**	**38.9**

OUR RELATIONSHIP WITH CCTV

As our largest supplier, CCTV accounted for approximately 80.4%, 85.7% and 72.7% of our total purchases for the years ended December 31, 2010, 2011 and 2012, respectively. Our revenues (inclusive of sales-related taxes) derived from CCTV's advertising resources for "World Express (國際時訊)", "News Weekly (新聞週刊)", "World Weekly (世界週刊)", "Treasure Hunt (尋寶)", "Oriental Horizon (東方時空)" and "Auto Fashion (車風尚)" accounted for approximately 71.6%, 80.9% and 80.2% of our revenues (inclusive of sales-related taxes) in 2010, 2011 and 2012, respectively. Due to CCTV's extensive network coverage and valuable advertising resources, we believe that strong demand for CCTV advertising time slots from our clients will continue and we expect CCTV to remain as our single largest supplier. We believe that we have stable business relationship with CCTV on the basis that (i) we have a track record for acquiring exclusive rights to advertising time slots for certain TV programs from CCTV, (ii) we have a marketing team with a deep understanding of the target customers of relevant advertising time slots and maintain a client base that is able to place advertisements that meet CCTV's strict requirements regarding the advertisement content, and (iii) we produced certain automobile-related TV programs which were broadcasted on CCTV, such as special programs of "CCTV Automobile of the Year (CCTV中國年度汽車評選)", which complement CCTV's other TV programs. For more details about our relationship with CCTV, see the section headed "Business — Media Resources and Other Suppliers". We cannot assure you that we are able to (i) maintain stable business relationship with CCTV, (ii) renew our existing exclusive rights to advertising time slots for the five CCTV programs after the end of 2013, and (iii) maintain or expand our existing client base.

In November 2009, CCTV initiated an ad-hoc public auction for the exclusive rights to advertising time slots for various TV programs in 2010 and we obtained exclusive rights to three of our five TV programs, "World Express (國際時訊)", "News Weekly (新聞週刊)" and "World Weekly (世界週刊)", at such public auction. In addition, we also acquired the exclusive rights to advertising time slots for "Treasure Hunt (尋寶)" and "Oriental Horizon (東方時空)" from CCTV through the public auction process in March 2010 and September 2010, respectively. We were entitled to the right to renew our agreements with CCTV for two additional one-year terms when we acquired these advertising time slots in 2010, except for the "Oriental Horizon (東方時空)" agreement, under which we only had a one-time renewal right to extend the term for 2012 after the initial term expired on December 31, 2011. In 2011, we renewed the relevant agreements with CCTV and continued to have the exclusive rights to advertising time slots for all of these five TV programs up to December 31, 2013. We are not entitled to any renewal right under these agreements with respect to the exclusive rights to advertising time slots for the five TV programs and we cannot assure you that our existing exclusive rights to advertising time slots for the five CCTV programs will be renewed after the end of 2013. For the risk relating to the renewal of our existing exclusive rights to advertising time slots for the five CCTV programs, see "Risk Factors — Our cooperative relationship with CCTV and other media resources has been, and is expected to continue to be, critical to our business and financial performance. Failure to enter into new, or renew, the existing exclusive agreements with CCTV and other media resources on commercially feasible terms or at all would materially and adversely affect our business, results of operations and financial condition".

Business arrangement with Beijing Qili

In 2012, we renewed the relevant agreements with CCTV for "World Express (國際時訊)" and "Oriental Horizon (東方時空)". As part of our plan to divert part of our resources to develop new sports events and produce new TV programs and to manage the downside risks due to economic downturn, we decided to cooperate with Beijing Qili Advertisement Co., Ltd. (formerly known as Beijing Chewen Dianjing Communication Co., Ltd.) ("Beijing Qili"), our client with good business relationship with us during the Track Record Period and an Independent Third Party, to exercise the renewal of the relevant agreements with CCTV in practice for the other three TV programs, "News Weekly (新聞週刊)", "World Weekly (世界週刊)" and "Treasure Hunt (尋寶)", in 2012 through a business arrangement. By this arrangement, Beijing Qili directly acquired from CCTV the exclusive rights to all of the advertising time slots for the three TV programs and subsequently entered into an agreement with us and agreed to sell to us the exclusive rights to 50% of advertising time slots for these three TV programs at cost. As we plan to further integrate our three business units and develop more cross-selling opportunities and are confident in the market demands of our media investment management services in 2013, we decided to discontinue our cooperation and the business arrangement above with Beijing Qili in 2013. From January 1, 2013 up to the Latest Practicable Date, Beijing Qili did not purchase any of our products or services. For further details of this business arrangement, please refer to the section headed "Business — Media Resources and Other Suppliers".

Our existing exclusive rights to advertising time slots for five CCTV programs

CCTV granted to us the exclusive rights to advertising time slots for these five TV programs in 2013. We entered into formal agreements with CCTV with respect to the exclusive rights to advertising time slots for "Oriental Horizon (東方時空)", "Treasure Hunt (尋寶)", "World Express (國際時訊)", "News Weekly (新聞週刊)" and "World Weekly (世界週刊)" in 2013.

The term of these agreements is one year with an expiration date of December 31, 2013. We are not entitled to any renewal right under these agreements upon their expiration. We cannot assure you that our existing exclusive rights to advertising time slots for the five CCTV programs will be renewed after the end of 2013. For the risk relating to the renewal of our existing exclusive rights to advertising time slots for the five CCTV programs, see "Risk Factors — Our cooperative relationship with CCTV and other media resources has been, and is expected to continue to be, critical to our business and financial performance. Failure to enter into new, or renew, the existing exclusive agreements with CCTV and other media resources on commercially feasible terms or at all would materially and adversely affect our business, results of operations and financial condition".

According to these agreements, the minimum amount of media costs we are committed to pay in 2013 corresponds to media costs for an aggregate of 93,840 seconds of advertising time slots for these five TV programs. The length of advertising time slots may be subject to changes agreed by the parties. Except for the increase in media costs, these agreements contained terms substantially similar to those of the agreements in connection with our exclusive rights to advertising time slots from 2010 to 2012, such as a specified percentage of the media costs should be paid as a deposit prior to the beginning of the contract year, and the remaining portion of the media costs should be paid in monthly installments for the advertisements to be broadcasted in the following month and we may also sell more advertising time slots to our clients than those that were previously prescribed under our agreements with CCTV, if permitted by CCTV. For details of the terms of the agreements we entered into with CCTV, please refer to section headed "Business — Wisdom Branding — Media investment management services" in this document.

The chart below sets forth a summary of our advertising time slots at CCTV:

TV program	TV channel	Broadcast schedule	Advertising time per episode	Period
World Express (國際時訊)	CCTV-News	22:00-22:30, Monday to Friday	120 seconds	January 2010 to December 2013
News Weekly (新聞週刊)	CCTV-News	22:15-23:00, Saturday	120 seconds	January 2010 to December 2011
			60 seconds(1)	January 2012 to December 2012
			120 seconds	January 2013 to December 2013
World Weekly (世界週刊)	CCTV-News	22:15-23:00, Sunday	120 seconds	January 2010 to December 2011
			60 seconds(1)	January 2012 to December 2012
			120 seconds	January 2013 to December 2013
Treasure Hunt (尋寶)	CCTV-1	18:00-18:52, Saturday	300 seconds	April 2010 to May 2010
			240 seconds	June 2010 to December 2010
			180 seconds	January 2011 to December 2011
			90 seconds(1)	January 2012 to December 2012
			120 seconds	January 2013 to December 2013
Oriental Horizon (東方時空)	CCTV-News	20:00-21:00, Monday to Sunday	150 seconds	November 2010 to December 2012
			120 seconds	January 2013 to December 2013

Note:

(1) For the reason of reduction in advertising time slots for these three TV programs in 2012, see "Business — Media Resources and other Suppliers".

RISK FACTORS

We believe a few of the more significant risks relating to our business include:

- Our cooperative relationship with CCTV and other media resources has been, and is expected to continue to be, critical to our business and financial performance. Failure to enter into new, or renew, the existing exclusive agreements with CCTV and other media resources on commercially feasible terms or at all would materially and adversely affect our business, results of operations and financial condition.

- We rely on access to advertising time slots during a limited number of TV programs to place our clients' advertisements and the desirability of the advertising time slots we obtain depends on the popularity and viewership of the relevant TV programs and other factors that are difficult to predict.

- Our ability to adjust the costs for our media investment management business is limited and any substantial increase in the prices charged by CCTV for the advertising time slots available to us may reduce our revenues and profitability.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following tables summarize our combined financial information as at and for the years ended December 31, 2010, 2011 and 2012. We extracted this summary financial information from the Accountant's Report in Appendix I to this document and you should read the entire Accountant's Report, including the notes to the financial information included in Appendix I, for more details.

Summary Combined Statements of Comprehensive Income

	Year ended December 31,					
	2010		2011		2012	
	RMB'000	%	RMB'000	%	RMB'000	%
Revenues	**298,169**	**100.0**	**471,391**	**100.0**	**557,213**	**100.0**
Cost of services	(201,709)	67.6	(326,212)	69.2	(340,250)	61.1
Gross profit	**96,460**	**32.4**	**145,179**	**30.8**	**216,963**	**38.9**
Selling and distribution costs	(8,968)	3.0	(15,869)	3.4	(19,221)	3.4
General and administrative expenses	(10,743)	3.6	(15,073)	3.2	(21,634)	3.9
Other gain, net	344	0.1	69	0.0	51	0.0
Operating profits	77,093	25.9	114,306	24.2	176,159	31.6
Finance income	168	0.0	363	0.1	1,675	0.3
Finance costs	(19)	0.0	(22)	0.0	(30)	0.0
Finance income, net	149	0.0	341	0.1	1,645	0.3
Profit before income tax	**77,242**	**25.9**	**114,647**	**24.3**	**177,804**	**31.9**
Income tax expenses	(19,837)	6.6	(29,116)	6.2	(45,828)	8.2
Profit for the year	**57,405**	**19.3**	**85,531**	**18.1**	**131,976**	**23.7**

Summary Combined Balance Sheets

	As at December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Non-current assets	37,024	38,449	39,433
Current assets	181,692	267,550	331,159
Current liabilities	66,522	107,784	87,653
Total liabilities	66,522	107,784	87,653
Net current assets	115,170	159,766	243,506
Total assets less current liabilities	152,194	198,215	282,939
Total equity	152,194	198,215	282,939

Summary Combined Statement of Cash Flows

	Year ended December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities	42,932	131,949	14,887
Net cash used in investing activities	(3,596)	(4,330)	(3,665)
Net cash used in financing activities	(18,000)	(35,510)	(48,285)
Cash and cash equivalents at beginning of year	23,035	44,371	136,480
Cash and cash equivalents at end of year	44,371	136,480	99,450
Net increase/(decrease) in cash and cash equivalents	21,336	92,109	(37,063)

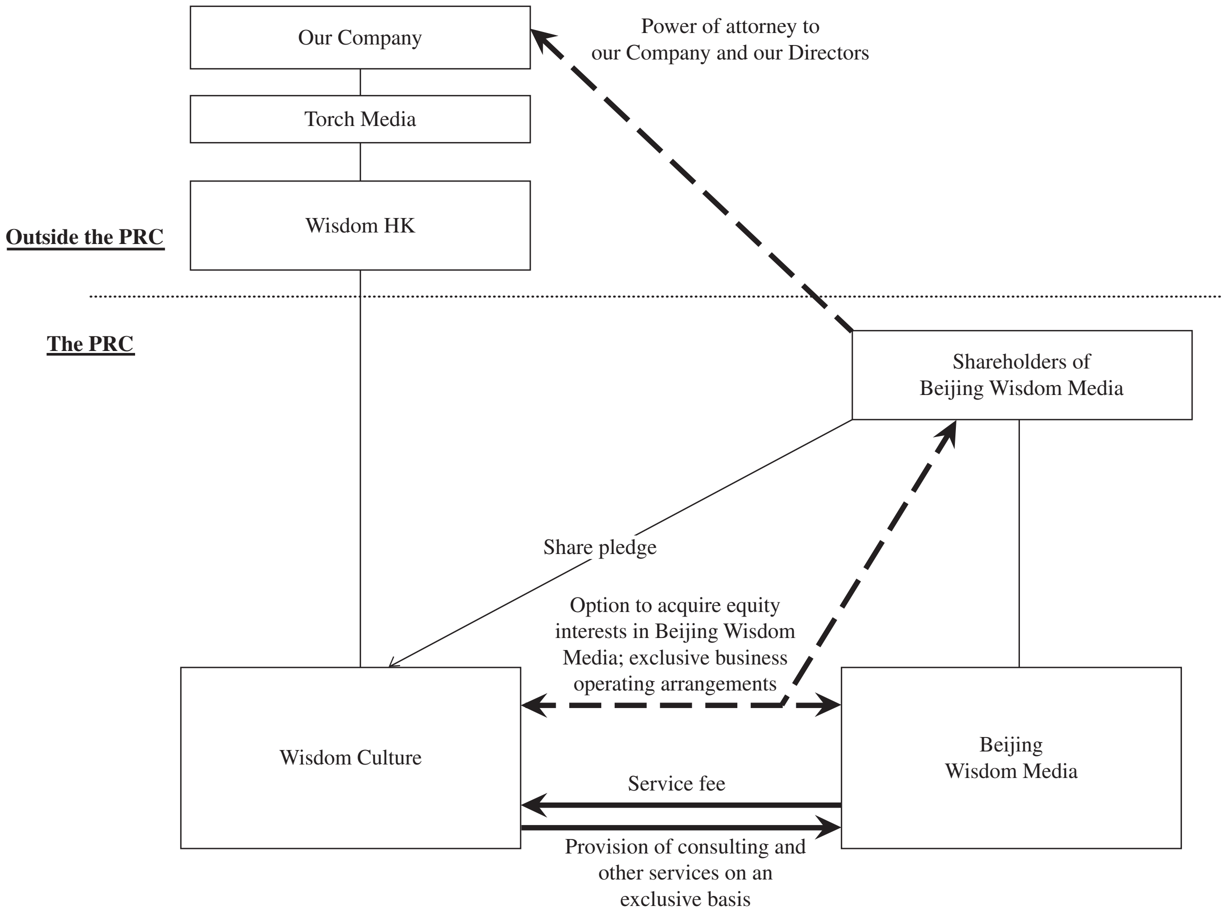
RECENT DEVELOPMENTS

As far as we are aware, there has been no material change in the general economic and market conditions in China or the industry in which we operate that materially and adversely affected our business operations or financial condition since December 31, 2012 up to April 30, 2013. Based on our unaudited financial statements for the four months ended April 30, 2013, our revenues and gross profit increased by 5.8% and 20.6% compared to the same period in 2012, respectively. This increase was mainly contributed by Wisdom Program as a result of the revenues and gross profit generated from "Lucky Go (週末駕到 /天天駕到)" and "China Trends (中國潮)", which were launched in November 2012 and March 2013 respectively and not broadcasted during the four months ended April 30, 2012.

We entered into formal agreements with CCTV with respect to the exclusive rights to advertising time slots for "Oriental Horizon (東方時空)", "Treasure Hunt (尋寶)", "World Express (國際時訊)", "News Weekly (新聞週刊)" and "World Weekly (世界週刊)" in 2013. We are committed to pay the minimum amount of media costs for 120 seconds of advertising time slots per episode for each of these five TV programs in 2013 as compared to 120 seconds, 90 seconds, 120 seconds, 60 seconds and 60 seconds of advertising time slots per episode for the same TV programs, respectively in 2012.

Our Directors confirm that, up to the date of this document, there has been no material adverse change in the financial or trading position, indebtedness or prospects of our Group since December 31, 2012.

The business operations of Beijing Wisdom Media involve the production of TV programs, which is subject to foreign investment restrictions under the applicable PRC laws. As such, we cannot acquire the equity interest in Beijing Wisdom Media. Wisdom Culture, Beijing Wisdom Media and the shareholders of Beijing Wisdom Media hence entered into the Structured Contracts in relation to our TV program production business so as to maintain the control of the operation, obtain the economic benefits and prevent leakages of assets and values to the registered equity holders of Beijing Wisdom Media. The following simplified diagram illustrates the operation of the Structured Contracts:



Notes:

1. *Wisdom Culture will provide Beijing Wisdom Media with the consulting and other related services. In return, Beijing Wisdom Media shall pay Wisdom Culture a service fee. The service fee shall represent the total revenue of Beijing Wisdom Media, after deducting all operational costs and relevant applicable taxes, to be negotiated between Wisdom Culture and Beijing Wisdom Media after taking into consideration (i) the scope and scale of the services provided by Wisdom Culture; and (ii) the anticipated cash needs of Beijing Wisdom Media for its normal operations and business development from time to time.*
2. *Pursuant to the exclusive business operating agreement, all of the shareholders of Beijing Wisdom Media shall transfer all bonus, distributable dividend, any other income or interest receivable by them at nil consideration to Wisdom Culture as soon as practicable.*
3. *Pursuant to the power of attorney, our Directors and their successors (including any liquidator being appointed in the event of liquidation) shall exercise rights of all of the shareholders of Beijing Wisdom Media (including but not limited to right to propose a general meeting, rights of voting, sale or transfer of all or part of their interests in Beijing Wisdom Media, signing minutes and filing documents with relevant companies registry). The Company has the power to designate the person as nominated by its executive Directors or the Board to exercise the rights to the Company under the power of attorney.*
4. *Pursuant to the share pledge agreement, all of the shareholders of Beijing Wisdom Media have pledged their equity interests in Beijing Wisdom Media to Wisdom Culture to secure the performance of all of the obligations of Beijing Wisdom Media and/or all of its shareholders under the exclusive business operating agreement and the exclusive consulting and service agreement.*
5. *Pursuant to the exclusive option agreement, all of the shareholders of Beijing Wisdom Media have granted an irrevocable option to Wisdom Culture to acquire their equity interests in Beijing Wisdom Media in accordance with the terms of the exclusive option agreement at nominal price if such acquisition is permissible under the PRC laws and regulations.*

DIVIDEND POLICY

Our Directors, subject to approval by our shareholders, may declare dividends after taking into account, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on HKFRS, our Memorandum and Articles of Association, terms and conditions under the Structured Contracts, the PRC Company Law, applicable laws and regulations and other factors that our Directors deem relevant.

Our ability to declare future dividends will depend on the availability of dividends, if any, received from our PRC operating subsidiaries. Under PRC laws and the articles of association of our PRC operating subsidiaries, dividends may be paid only out of distributable profits, which refer to after-tax profits as determined under PRC GAAP less any recovery of accumulated losses and required allocations to statutory funds. Any distributable profits that are not distributed in a given year are retained and become available for distribution in subsequent years. In general, we will not declare dividends in a year when we do not have any distributable earnings.

No dividend has been paid or declared by the Company since its incorporation. Beijing Wisdom Media declared dividends to its then shareholders in the amount of RMB18.0 million and RMB40.0 million in the years ended December 31, 2010 and 2011, respectively, all of which have been paid. Beijing Wisdom Media declared dividends to its then shareholders in the amount of RMB50.0 million in July 2012, out of which RMB45.0 million was paid as of December 31, 2012 and the remaining portion will be paid before the [●]. Beijing Wisdom Media declared dividends to its then shareholders in the amount of RMB80.0 million in May 2013, out of which RMB72.0 million has been paid and the remaining portion will be paid before the [●].

DEFINITIONS

In this document, unless the context otherwise requires, the following expressions shall have the following meanings.

"Articles of Association" or "Articles"	the articles of association of our Company, conditionally adopted on June 14, 2013, as amended from time to time, a summary of which is set out in Appendix III to this document
"Beijing Wisdom Media"	Beijing Wisdom Media Holding Co., Limited (北京智美傳媒股份有限公司), a domestic enterprise established in the PRC with limited liability on December 26, 2006, details of its shareholding are set out in the "History and Reorganization" section of this document. Beijing Wisdom Media and its subsidiaries are collectively referred to as "consolidated affiliated entities" in this document
"Board of Directors" or "Board"	the board of directors of our Company
"business day"	a day (other than a Saturday or a Sunday) on which banks in Hong Kong are open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Car Culture Advertising"	Beijing Car Culture Advertising Co., Ltd (北京智美車文廣告有限公司), a limited liability company incorporated in the PRC on August 25, 2010, a wholly-owned subsidiary of Beijing Wisdom Media
"Cayman Islands Companies Law"	the Companies Law, Cap 22 (2012 Revision) of the Cayman Islands
"CCTV"	China Central Television Station
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this document, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Companies Ordinance"	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"Company" or "our Company"	Wisdom Holdings Group (智美控股集团 (formerly known as Wisdom Media Co., Ltd 智美傳媒有限責任公司)), incorporated as an exempted company with limited liability in the Cayman Islands on March 21, 2012
"Controlling Shareholders"	has the meaning ascribed to it under the [●] and, in the context of this document, means the controlling shareholders of our Company, being Ms. Ren, Trust Co and Queen Media
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of the Company

"Group", "our Group", "we" or "us"	our Company and its subsidiaries (which include Beijing Wisdom Media and its subsidiaries) or any of them at the relevant point of time (including where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company)
"Guangzhou Qibu"	Guangzhou Qibu Media Co., Ltd (廣州騏步文化傳播有限公司), a limited liability company incorporated in the PRC on December 24, 2009, a wholly-owned subsidiary of Beijing Wisdom Media
"HK$" or "HK dollars" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent Third Party"	an individual or a company who is not connected with (within the meaning of the [●]) any directors, chief executive of the Company, its subsidiaries (which include Beijing Wisdom Media and its subsidiaries) or any of their respective associates
"Latest Practicable Date"	[June 20], 2013, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
"Lucky Go"	Lucky Go Co., Ltd., incorporated as an exempted company with limited liability in the BVI on March 16, 2012 and is currently directly owned by 14 individual shareholders, all of which are natural persons and are shareholders of Beijing Wisdom Media
"Ms. Ren"	Ms. Ren Guozun (任國尊), also known as Ren Wen (任文), our chairlady, executive Director and one of our Controlling Shareholders
"Queen Media"	Queen Media Co., Ltd., incorporated as an exempted company with limited liability in the BVI on March 16, 2012 and is directly wholly-owned by Trust Co and one of our Controlling Shareholders
"Reorganization"	the reorganization of our Group in anticipation of the [●], the details of which are set out in the section headed "History and Reorganization" in this document
"Restricted Business(es)"	the business activities of our Group which are subject to prohibition or restriction or foreign investment under the PRC laws, details of which are set out in the "History and Reorganization" section in this document
"RMB" or "Renminbi"	the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange (國家外匯管理局)
"SAT"	State Administration of Taxation (國家稅務總局)
"SFC"	the Securities and Futures Commission of Hong Kong

"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"Shanghai Zhizhen"	Shanghai Zhizhen Media Co., Ltd (上海智真尚成文化傳播有限公司), a limited liability company incorporated in the PRC on July 10, 2007, a wholly-owned subsidiary of Beijing Wisdom Media
"Share(s)"	ordinary share(s) in the Company with a nominal value of US$0.00025 each
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on June 14, 2013, the principal terms of which are summarized in the paragraph headed "Share Option Scheme" in Appendix IV to this document
"SKY Trust"	The SKY Trust, a discretionary trust founded by Ms. Ren as the settlor and with Ms. Ren and her family members as discretionary beneficiaries
"Structured Contracts"	a series of contracts entered into by Wisdom Culture and Beijing Wisdom Media in relation to the TV program production business including (i) the exclusive consulting and service agreement; (ii) the irrevocable power of attorney; (iii) the exclusive business operating agreement; (iv) the exclusive option agreement; and (v) the share pledge agreement.
"Top Car"	Top Car Co., Ltd., incorporated as an exempt company with limited liability in the BVI on March 16, 2012 and is directly owned as to 88.42% by Ms. Ren and 5.79% by each of Mr. Sheng Jie and Mr. Zhang Han, our executive Directors
"Torch Media"	Torch Media Co., Ltd., incorporated as an exempt company with limited liability in the BVI on April 2, 2012 and is a direct wholly-owned subsidiary of the Company
"Trust Co"	Sky Limited, a company incorporated in Guernsey, whose issued share capital is the trust asset of the Sky Trust and which is managed by Credit Suisse Trust Limited
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"Wisdom Branding"	a business unit of our Company, which engages in the business of media investment management and branding and identity services
"Wisdom Culture"	Beijing Wisdom Culture Co., Ltd., (北京維世德文化有限公司), a domestic enterprise established in the PRC with limited liability on July 6, 2012 and is an indirect wholly-owned subsidiary of the Company
"Wisdom HK"	Auto Culture Group Holdings Limited (智美控股集團有限公司), incorporated as a limited liability company in Hong Kong on April 23, 2012 and is an indirect wholly-owned subsidiary of the Company

"Wisdom Leadership"	Beijing Wisdom Leadership Sports Culture Co., Ltd (北京智美領航體育文化有限公司), formerly known as Beijing Xiqiyangyang Culture Co., Ltd (北京喜氣洋洋文化發展有限公司), a limited liability company incorporated in the PRC on January 25, 2011, a wholly-owned subsidiary of Beijing Wisdom Media
"Wisdom Program"	a business unit of our Company, which engages in the business of program production
"Wisdom Sports"	a business unit of our Company, which engages in the business of organization, management and promotion of sports competitions and other marketing events
"Xinchuang Branding"	Beijing Xinchuang Branding Co., Ltd (北京新創智力品牌管理有限公司), a limited liability company incorporated in the PRC on January 25, 2011, a wholly-owned subsidiary of Beijing Wisdom Media
"Zhejiang Weishide Advertising"	Zhejiang Wisdom Advertising Co., Ltd. (浙江維世德廣告有限公司), a domestic enterprise established in the PRC with limited liability on April 3, 2013 and is an indirect wholly-owned subsidiary of the Company
"Zhejiang Wisdom Advertising"	Zhejiang Wisdom Car Culture Advertising Co., Ltd. (浙江智美車文廣告有限公司), a domestic enterprise established in the PRC with limited liability on August 3, 2012 and is an indirect wholly-owned subsidiary of the Company
"Zhejiang Wisdom Sports"	Zhejiang Wisdom Sports Culture Co., Ltd. (浙江維世德體育文化有限公司), a domestic enterprise established in the PRC with limited liability on August 3, 2012 and is an indirect wholly-owned subsidiary of the Company

In this document, the terms "associate", "connected person", "connected transaction", 'controlling shareholder" and "subsidiary" shall have the meanings given to such terms in the [●], unless the context otherwise requires.

In this document, unless otherwise stated, certain amounts denominated in Renminbi have been translated into HK dollars or US dollars and vice versa at an exchange rate of RMB0.79345 = HK$1.00 or RMB6.1306 = US$1.00, respectively, and certain amounts denominated in US dollars have been translated into HK dollars and vice versa at an exchange rate of US$0.1288 = HK$1.00, in each case, for illustration purposes only. Such conversions shall not be construed as representations that amounts in Renminbi or US dollars were or may have been converted into those currencies and vice versa at such rates or any other exchange rates.

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Translated English names of Chinese laws and regulations, governmental authorities, institutions, natural persons, other entities or product names included in this document and for which no official English translation exists are unofficial translations for your reference only.

GLOSSARY

This glossary of industry terms contains explanation of certain terms used in this document as they relate to the industry in which our Group operates its business. These terms and their given meaning may not correspond to standard industry meaning or usage.

"above-the-line marketing"	media advertisements including TV (commercials and programs), print media (newspaper and magazines), digital media (Internet and mobile), others (radio, movies, other outdoor advertisements)
"advertising agencies' advertising resources"	CCTV advertising resources, except CCTV prime time advertising resources (黃金廣告資源) and CCTV subscription-based advertising resources (簽約認購類廣告資源), which may be acquired by advertising agencies for use in their business
"below-the-line marketing"	events, fairs, exhibitions and road-shows
"CCTV prime time advertising resources (黃金廣告資源)"	certain advertising resources sold through CCTV annual public auctions in or around November each year for those prime time TV programs announced by CCTV on its website http://1118.cctv.com/zyxz/index.shtml as updated from time to time before each annual public auction.
"CCTV subscription-based advertising resources (簽約認購類廣告資源)"	certain advertising resources sold through the CCTV subscription process from September to October each year for those TV programs announced by in its "CCTV Subscription-based Advertising Products Brochure (中央電視臺黃金資源廣告-簽約認購類產品手冊)" on its website http://1118.cctv.com/special/2013zhaobiao/cpsc/index.shtml as updated from time to time before each CCTV subscription process
"CETV"	China Education Television
"digital media"	internet and mobile
"end-customers' advertising resources"	includes CCTV prime time advertising resources (黃金廣告資源) and CCTV subscription-based advertising resources (簽約認購類廣告資源), which may be acquired (i) by advertising agencies only on behalf of their end-customers and not for use in their business; or (ii) by end-customers directly in the case of CCTV subscription-based advertising resources being unsold after the relevant subscription period
"event marketing"	the promotion of a product, service or organization to consumers through the design or development of a themed activity, occasion, display or exhibit (such as sports event, music festival, fair or concert). It targets specific individuals or groups at gathering spots where they hope to make quality individual impressions
"exclusive rights"	under our media investment management services, our exclusive rights refer to the exclusive rights to sell advertising time slots for certain CCTV programs which are not reserved by CCTV for its own sales as end-customers' advertising resources. For details, please refer to "Business — Wisdom Branding — Media investment management services"

GLOSSARY

"Market share of TV channels in terms of viewership"	the percentage share of the number of audience for a specific TV channel, at a specific time period, to the total number of audience watching TV
"marketing channel"	the communication medium used to deliver a message to consumers and which marketing activities take place. It includes both above-the-line and below-the-line marketing
"marketing expenditure"	the amount of money spent by companies on marketing activities in a particular period of time
"passenger vehicle"	a vehicle with not more than nine seats including the driver seat, and, in terms of design and technical features, are mainly used for carrying passengers and their carry-on baggage and/or provisional items. Passenger vehicles can be subdivided into basic passenger vehicles, multi -purpose vehicles (MPV), sports utility vehicles (SUV), special passenger vehicles, and cross-passenger vehicles
"printed media"	a type of above-the-line marketing which generally refers to newspaper and magazines
"sport events"	civilian vehicle racing, extreme sports, marathon, cycling, boat racing etc.

FORWARD-LOOKING STATEMENTS

This document contains forward looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this document. These forward-looking statements include, but are not limited to, statements relating to:

- our operations and business prospects:
- future developments, trends and competition in the marketing communications industry in the PRC and elsewhere;
- our strategy, business plans, objectives and goals;
- our capital expenditure plans;
- our dividend distribution plans;
- the prospective financial information regarding our business;
- our future financial condition and results of operations;
- the amount and nature of, and potential for, future development of our business;
- general economic conditions in the PRC and elsewhere; and
- changes to regulatory and operating conditions in the markets in which we operate.

In some cases we use words such as "believe", "seek", "intend", "anticipate", "estimate", "project", "forecast", "plan", "potential", "will", "may", "should", "going forward", "expect" and other similar expressions to identify forward-looking statements. All statements other than statements of historical facts included in this document, including statements regarding our future financial position, strategy, projected costs and plans and objectives of management for future operations, are forward-looking statements. Although we believe that the expectations reflected in those forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct, and you are cautioned not to place undue reliance on such statements.

Furthermore, these forward-looking merely reflect our current view with respect to future events as of the date of this document and are not a guarantee of future performance. Our financial condition may differ materially from the information contained in the forward-looking statements as a result of a number of factors.

We disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Our cooperative relationship with CCTV and other media resources has been, and is expected to continue to be, critical to our business and financial performance. Failure to enter into new, or renew, the existing exclusive agreements with CCTV and other media resources on commercially feasible terms or at all would materially and adversely affect our business, results of operations and financial condition.

We significantly rely on CCTV and other media resources to operate our business. We offer our advertising clients the advertising time slots we secure from selected TV programs on CCTV and other media resources, or help them to acquire appropriate advertising time slots on an agency basis. In addition, we normally broadcast our TV programs on CCTV and other television channels in exchange for the advertising time slots during such TV programs. If our cooperative relationships with CCTV or other media resources deteriorate or end, our business, results of operations, and financial condition will be adversely affected.

In particular, our cooperative relationship with CCTV has been, and is expected to continue to be, critical to our business and financial performance. As our largest supplier, CCTV accounted for approximately 80.4%, 85.7% and 72.7% of our total purchases for the years ended December 31, 2010, 2011 and 2012, respectively. Our revenues (inclusive of sales-related taxes) derived from the advertising resources for "World Express (國際時訊)", "News Weekly (新聞週刊)", "World Weekly (世界週刊)", "Treasure Hunt (尋寶)", "Oriental Horizon (東方時空)" and "Auto Fashion (車風尚)" accounted for approximately 71.6%, 80.9% and 80.2% of our revenues (inclusive of sales-related taxes) in 2010, 2011 and 2012, respectively. In addition, we believe our access to advertising time slots on the main channels of CCTV, particularly during certain popular TV programs, enhances our service offerings. Therefore, the continued success in our business substantially depends on our ability to maintain our relationship with CCTV, which is subject to a number of risks, including the following:

- CCTV may change the sales model of its advertising time slots. CCTV currently uses third-party agencies, such as us, to sell a significant portion of its advertising time slots to advertisers, while selling the remaining portion of its advertising time slots directly by itself. If CCTV changes this model and increases the volume of its direct sales to advertisers, we may lose our advertising clients and our results of operations will be materially and adversely affected.

- CCTV may begin to specify a limit on total advertising time slots that may be purchased by one advertising agency in the future, in which case our growth potential would be limited as we would not be able to represent our advertising clients to purchase more CCTV advertising time slots when we exceed the limit.

- CCTV's advertising time slots, particularly those for the most popular TV programs and prime-time advertising time slots, are limited resources and highly coveted by advertisers and advertising agencies. As a result, we face intense competition for CCTV-related advertising business from a number of competitors which may have competitive advantages, such as greater financial, marketing or other resources.

We typically do not have a long-term agreement with CCTV and other media resources. For example, our agreements with CCTV in connection with the exclusive rights to advertising time slots for "World Express (國際時訊)", "News Weekly (新聞週刊)", "World Weekly (世界週刊)", "Treasure Hunt (尋寶)" and "Oriental Horizon (東方時空)" typically have a term of one year and we expect to renew those agreements on an annual basis. We acquired the exclusive right to advertising time slots for these five TV programs in 2010 and continued to hold such rights through 2013, except for our arrangement with CCTV and Beijing Qili in relation to the advertising time slots for "News Weekly (新聞週刊)", "World Weekly (世界週刊)" and "Treasure Hunt (尋寶)" in 2012. See "Business — Wisdom Branding — Media investment management services". However, there is no guarantee for renewal upon expiration of those agreements and there is no assurance that we can maintain stable business relationship with CCTV. In addition, once we receive relevant authorization certificates from CCTV, we may start selling the advertising time slots for CCTV programs for the next contract year prior to formally renewing our agreements with CCTV. However, if we are not able to formally renew such agreements with CCTV later for any reason, we may be liable for our clients which have purchased relevant advertising time slots from us. Therefore, since we do not have the protection of long-term agreements with CCTV in connection with our media investment management business, we are subject to changes of policies or practices by CCTV, as well as other uncertainties that could result in the termination of, or other changes in, these existing exclusive agreements.

In addition, the TV programs on CCTV and other media resources that are suitable candidates for our clients are also limited, and we also face competition for these desirable media resources. Therefore, while we intend to continue to seek opportunities for acquiring more desirable TV programs on CCTV and other media resources, we may not be successful in obtaining and retaining these media resources. As a result, if we are unable to renew or enter into new agreements with CCTV and other media resources on commercially feasible terms or at all, our business, results of operations and financial condition would be materially and adversely affected.

We rely on access to advertising time slots during a limited number of TV programs to place our clients' advertisements and the desirability of the advertising time slots we obtain depends on the popularity and viewership of the relevant TV programs and other factors that are difficult to predict.

We rely significantly on our exclusive rights to the advertising time slots for a limited number of TV programs on CCTV, including "Oriental Horizon (東方時空)", "World Express (國際時訊)", "News Weekly (新聞週刊)", "World Weekly (世界週刊)" and "Treasure Hunt (尋寶)", and some TV programs produced by us, the majority of the audience of which we believe overlaps with the target consumers of automobile manufacturers and high-end brand owners. However, we do not have control over the availability or scheduling of these TV programs on CCTV and other television channels. If any of such programs are rescheduled to times that are unattractive to our clients or if any of such programs are shortened or canceled by CCTV or other television channels due to the adjustment of its programming plan and we cannot obtain alternative media resources, the services for our existing clients will be adversely affected and we may also face difficulty in marketing our services and our revenues may decline.

In addition, the value of television advertising time slots depends primarily on the popularity, ratings and demographics of the viewership of the programs to which such advertising time slots are attached. Therefore, the perceived desirability of the advertising time slots we obtain from CCTV and other television channels to a certain extent depends on the acceptance by the public of the TV programs to which our advertising time slots are attached, the quality and acceptance of other competing programs, the availability of alternate forms of entertainment, the general trend of leisure time activities and other tangible and intangible factors, many of which are difficult to predict and are beyond our control. As a result, if any of the TV programs on CCTV or other television channels to which our advertising time slots are related becomes unpopular, the advertising time slots we obtain from CCTV and other television channels may become less attractive to our clients and our financial condition and results of operations could be materially and adversely impacted.

Our ability to adjust the costs for our media investment management business is limited and any substantial increase in the prices charged by CCTV for the advertising time slots available to us may reduce our profitability.

For our media investment management services, we charge our advertising clients prices based on a number of factors, including market demand for the advertising time slots, target audience, the ratings and quality of the relevant TV programs to which the advertising time slots are attached and prices charged by our competitors. In addition, we are obligated to pay the committed amount of media costs set forth in our exclusive agreements in connection with CCTV programs even if we are not able to sell all of the corresponding advertising time slots to our clients. We typically negotiate the pricing terms with the television channels with respect to the advertising time slots available to us on an annual basis. We retain the difference between the prices we charge to our advertising clients and the prices we pay to the television channels as our profits. CCTV has been increasing the prices charged to us for the advertising time slots in relation to its TV programs each year, and we expect that CCTV will continue to raise such prices in the future. We are typically able to pass on such price increases to our advertising clients. Since CCTV enjoys greater bargaining power over price increases than we do, our ability to control such media costs is limited. Therefore, if CCTV substantially raises the prices charged to us for the advertising time slots available to us and we are unable to pass on such costs to our advertising clients, our profitability may decline.

We rely on clients in the automobile industry, and thus should the automobile industry suffer a downturn or be affected by fluctuations in the macroeconomic conditions, or should the products of automobile brand owners defect in a significant way, our business and financial performance may be adversely affected.

Our major clients are primarily concentrated in the automobile industry. Our revenues (inclusive of sales-related taxes) generated from automobile-related brand owners accounted for approximately 67.1%, 59.4% and 39.7% of our revenues (inclusive of sales-related taxes) in 2010, 2011 and 2012, respectively. We have greatly benefited from the rapid growth in China's automobile industry during the past few years. Further, the growth of China's automobile industry could be affected by many factors, including:

- general economic conditions in China and around the world;
- the growth of disposable household income and the availability and cost of credit available to finance automobile purchases;
- quotas, taxes and other incentives or disincentives or restrictions related to automobile purchases and ownership;
- environmental concerns and measures taken to address these concerns;
- the cost of energy, including gasoline prices, and automobile licensing and registration fees;
- the improvement of the highway system and availability of parking facilities; and
- other government policies relating to the automobile industry in China.

Any adverse changes to these factors could negatively affect the branding and marketing budgets of automobile brand owners, which may in turn adversely affect our business and financial performance.

In addition, if there were any negative impact on specific clients, such as the discovery of significant defects in their products that cause harm or damages to their end-customers or lead to product callbacks, or other substantial negative reputational impact, the branding and marketing budgets of such clients may be reduced, which in turn would adversely affect our business and financial performance.

We receive a substantial portion of our revenues from a limited number of large clients, and the loss of these clients could materially and adversely impact our business, results of operations and financial condition.

We derive a significant portion of our revenues from a limited number of large clients. For the years ended December 31, 2010, 2011 and 2012, our five largest clients accounted for approximately 31.7%, 25.2% and 34.3% of our revenues (inclusive of sales-related taxes), respectively. Most of these clients are third-party advertising agencies who obtained advertising time slots from us for brand owners and may in turn rely on a limited number of large advertisers for their businesses. The performance of such third-party advertising agencies or the advertisers they represent has a direct impact on our operating results. Advertisers who access our advertising time slots through these advertising agencies may reduce advertising and marketing spending or cancel projects at any time for any reason. There can be no assurance that any of these clients will continue to utilize our services to the same extent, or at all, in the future. As a result, a significant reduction in advertising and marketing spending by, or the loss of one or more of, our large clients, or the loss of one or more significant advertisers by our advertising agency clients, to the extent the loss in our revenues resulting from the loss of these clients is not replaced by new client accounts or increased business from existing clients, would lead to a substantial decline in our revenues, which could have a material adverse effect on our business, results of operations and financial condition. In addition, if any client with whom we have a substantial amount of business experiences financial difficulty, we could be unable to collect accounts receivable on a timely basis, if at all. This may result in an increase in our bad debt expenses and adversely affect our results of operations.

Our clients periodically review and change their marketing models and strategies, and we generally do not enter into exclusive or long-term agreements with our clients. Therefore we may be unable to retain our clients if we fail to adapt quickly to their changing demands or if they are unsatisfied with our services or for other reasons, which in turn may have an adverse effect on our revenues and profits.

As is customary in the marketing communications industry in China, we do not have exclusive or long-term agreements with our clients, who typically engage us on an annual or campaign-by-campaign basis. In many cases, we represent a client for only a portion of its advertising or marketing needs or only in specific advertising or marketing campaigns, thus enabling the client to continually compare the effectiveness of our services against that of other agencies. As a result, there is no assurance that we will be able to maintain our relationships with current and future clients. If we fail to retain our existing clients or increase advertisers' awareness and utilization of our services, or to formulate attractive and high-quality service packages and pricing structures to attract new clients, demand for our services will not grow and may even decrease, which could materially and adversely affect our ability to maintain or increase our revenues and our profitability. In addition, in recent years, an increasing number of brand owners have sought to consolidate their marketing communications activities with a smaller number of advertising agencies to increase the efficiency of their marketing budget and advertising spending and to reduce costs. This trend may result in a decrease or slow down in growth of the number of our client accounts, and could have a negative impact on our market position and materially and adversely affect our business, results of operations and financial condition.

The organization of sports-related competitions involves numerous risks, and therefore we may suffer reputational losses and be required to cover the damages with our own funds if they are not fully covered by our insurance, which in turn may have a material adverse effect on our financial condition and results of operations.

The organization and management of sports-related competitions involve numerous risks that may result in accidents. The sports competitions we have organized and we plan to organize in the near future include marathons and those involve automobiles and motor-driven vehicles. The organization of these sports competitions have risks of causing accidents, which could result in the loss of human life or personal injuries to spectators, players or our staff, significant damage to equipment and property, environmental pollution, violent spectator incidents, and financial and reputational losses to us. The insurance policies we currently have may not cover all potential liabilities that may result from these risks. The occurrence of any of these events which are not fully covered by insurance would require us to cover the damages with our own funds, thereby reducing our revenues and increasing our costs. For example, two runners died after participating in the "Guangzhou Marathon (廣州馬拉松)" organized by us in cooperation with government authorities in Guangzhou in November 2012. There was no wrongful act or negligence on our part in this accident and we were not liable for any damages for the accident. During the Track Record Period, we did not incur any similar incidents during the competitions organized by us. In the future, we may face claims due to personal injuries or property damages in the sports competitions organized by us. A successful claim against us may result in financial and reputational losses to us. Even if unsuccessful, such a claim could cause unfavorable publicity, require substantial cost to defend and divert the time and attention of our management. As a result, we may suffer financial losses or reputational losses in connection with the risks involved in the organization of sports-related competitions which in turn may have a material adverse effect on our financial condition and results of operations.

We may not be able to renew agreements for the existing sports competitions organized by us or introduce new sports competitions or events, which may have an adverse effect on our revenues and profits.

The success of our event organization, management and promotion business depends on our ability to renew the agreements for the existing sports competitions and events organized by us and to introduce new sports competitions or events. We are currently licensed by sports organizations or their authorized agents to organize certain sports competitions for a limited period of time. Therefore, we are subject to changes of strategies by those sports organizations, as well as other uncertainties that could result in our failure to renew the existing cooperation agreements with those sports organizations on commercially feasible terms. Although we plan to develop our Wisdom Sports unit as a strategy, we may not successfully obtain the license to organize new sports competitions on reasonable terms. If sports organizations are unsatisfied with the license fee packages we offer, or if sports organizations decide to cooperate with our competitors, demand for our event organization, management and promotion services may not grow and may even decrease, which in turn may have a material adverse effect on our ability to maintain or increase our revenues and our profitability.

We face intense competition in the marketing communications industry in China, and if we do not compete successfully against existing and new competitors, we may lose our market share and our business, results of operations, financial condition and prospects may be materially and adversely affected.

The marketing communications industry in China is highly competitive and fragmented. There are numerous media and marketing channels that our clients could use to promote their products or services, and in each media sector there are multiple companies competing for clients' marketing budgets. Key competitive considerations for retaining existing business and winning new business include our service quality, available advertising time slots, price, reputation, relationships with a variety of media channels, our specific expertise in the automobile-related sector, and our experience in designing tailored marketing campaigns for our clients. In particular, we face competition from companies that adopt a similar model as ours or offer marketing communications channels that are comparable to our offerings. The competition we face is primarily associated with the following:

- With respect to program production, we face direct competition from other program producers, including broadcasters that could independently produce programs and operators and television stations that independently produce and broadcast programs.

- With respect to the organization, management and marketing of sports competitions and other events, we face competition from other event management companies.

- With respect to our media investment management and branding and identity services, our competitors include PRC affiliates of international 4A advertising agencies, and a small number of domestic advertising companies that provide branding and identity services for clients in all industries.

Some of our existing and potential competitors may have competitive advantages, such as more established relationships with desirable clients and media channels, significantly greater financial, marketing or other resources or stronger market reputation, or may be able to better implement similar or competing business models. Increased competition could reduce our profitability and result in a loss of our market share. We cannot assure you that we will be able to successfully compete against new or existing competitors and failure to do so may cause our market share to decline, and our business, results of operations, financial condition and prospects may be materially and adversely affected.

In addition, we face competition from other marketing communications service providers for acquisition of valuable and limited media resources available on CCTV and other media platforms for the broadcast of the TV programs produced by us and our clients' advertisements, on the basis of sales and marketing capabilities, operating track record, service quality and other relevant factors.

Furthermore, the competition for talented employees in our industry is extremely intense, which has put significant pressure on us to increase employee remunerations to match industry standards. However, there can be no guarantee of the continuing competitiveness of our salary levels. If our compensation levels fail to keep up with industry standards, current or potential competent employees may choose to join our competitors. In such event, we may fail to maintain the high quality of our services to meet the needs of our clients.

We depend substantially on the continuing efforts of our senior management and key personnel, and our business and prospects may be severely disrupted if we lose their services.

Our future success depends on the continued services of the key members of our senior management team, in particular, the continued service of Ms. Ren Guozun, our founder, chairlady and president. Ms. Ren has more than 12 years of working experience in the automobile-related marketing communications and media industry. We rely on her experience in our business operations, as well as her business vision, management skills and working relationships with our employees, clients and media resources. If we lose the services of any senior management and key personnel, we may not be able to locate suitable or qualified replacements, and may incur additional expenses to recruit and train new personnel, which could severely disrupt our business and prospects. In addition, the loss of any of our key employees may adversely impact the perception of us by our clients, media and investors. Furthermore, if any of our senior management and key personnel joins a competitor or forms a competing company, we may lose a significant number of our clients, which also could have a material adverse effect on our business and revenues. For more detailed information on our senior management, please refer to the section "Directors and Senior Management" in this document.

If we are unable to adapt to changing trends in the marketing communications industry and preferences of our clients, media resources and consumers, we will not be able to compete effectively.

The provision of marketing communications services requires us to continuously identify new industry trends and the preferences of our clients, media resources and consumers, which may require us to develop new features and enhancements for our services. We continually follow the marketing communications market and new trends and developments with respect to or affecting media resources. We also conduct in-depth market research to analyze the effectiveness of the marketing campaigns of our clients and to project the trends of the marketing communications market in the near future. We may be required to incur development and acquisition costs to hire new managers or other personnel in order to keep pace with new market trends. If we fail to provide our program production, sports competitions and events organization and branding services effectively to meet our clients' evolving needs, or if we cannot succeed in developing and introducing new services on a timely and cost-effective basis, the demand for our marketing communications services may decrease and we may not be able to compete effectively or attract clients, which would have a material adverse effect on our business and results of operations.

We plan to secure media resources on new media platforms. We may not be successful in that business due to our lack of experience and expertise with respect to those new media platforms and we may face many other risks and uncertainties.

We plan to secure media resources on new media platforms, such as the Internet and mobile devices. We have traditionally not been engaged in businesses involving those new media platforms and, as a result, we have little or no expertise and experience in operating these businesses. In addition, our expertise and experience in the television platform may not be readily applied to prospective businesses involving those new media platforms. In contrast, our existing and potential competitors may have competitive advantages, such as significantly greater financial, marketing or other resources or expertise and experience with respect to new media platforms. As a result, we may not be able to successfully secure media resources on new media platforms on favorable terms, or at all.

Furthermore, the market in China for marketing communications services involving some of those new media platforms is relatively new and its potential is uncertain. Our success in securing and managing media resources on new media platforms depends on the acceptance of marketing communications on those new media platforms by our clients and their continuing interest in such platforms as a component of their marketing strategies.

Implementing our plan to secure media resources in new media platforms will also require us to:

- continue to identify and obtain media resources in those new media platforms that are attractive to our clients;
- significantly expand our capital expenditures to pay for media resources;
- obtain related governmental approvals; and
- expand the number of operational and sales staff that we employ.

If we are unable to successfully implement our strategy relating to new media platforms, or if such expansion does not otherwise benefit our business, our prospects and competitive position may be materially harmed and our business, financial condition and results of operations may be materially and adversely affected.

The PRC regulates advertising content extensively and we may be subject to laws, regulations and government actions based on the advertising content we design for our clients or other services we provide to them.

PRC advertising laws and regulations require advertisers, advertising operators and advertising distributors, including businesses such as ours, to ensure that the content of the advertisements they prepare or distribute is fair and accurate and is in full compliance with applicable laws and regulations. Violation of these laws or regulations may result in penalties, including fines, confiscation of advertising fees, orders to cease dissemination of the advertisements and orders to publish an advertisement correcting the misleading information. In circumstances involving serious violations, the PRC government may revoke a violator's license for advertising business operations.

Under applicable PRC laws and regulations, we are required to independently review and verify the content of our clients' advertisements for compliance and to confirm that any required government review has been performed and that all necessary approvals have been obtained. In addition, for advertising content related to special types of products and services, such as alcohol, cosmetics, pharmaceuticals and medical procedures, we are required to confirm that our clients have obtained requisite government approvals, including operating qualifications, proof of quality inspection of the advertised products and services, and government pre-approval of the content of the advertisement and filings with the local authorities.

We endeavor to comply with applicable PRC laws and regulations in connection with the advertising content, including by requesting relevant documents from the advertising clients and employing qualified advertising inspectors who are trained to review advertising content for compliance. If the relevant PRC governmental agencies determine that the content of the advertisements that we represent violated any applicable laws, rules or regulations, we could be subject to penalties. If the media operators refuse to broadcast the advertisements of our clients due to the non-compliance with relevant laws and regulations, we will also suffer economic loss and our business will also be negatively affected. Such violations or alleged violations of the content requirements may also adversely affect our reputation, operations and financial performance, and may impair our ability to conduct and expand our business in China.

We may be exposed to liabilities from allegations that certain of our clients' advertisements may be false or misleading or that our clients' products may be defective.

We may become, or may be joined as, a defendant in litigations or administrative proceedings brought against our clients by third parties, our clients' competitors, regulatory authorities or consumers. These actions could involve claims alleging, among other things, that:

- advertisements made with respect to our clients' products or services are false, deceptive, misleading, libelous, injurious to the public welfare or otherwise offensive;
- our clients' products are defective or injurious and may be harmful to others; or
- marketing, communications or advertising materials created for our clients infringe on the proprietary rights of third parties.

The damages, costs, expenses or attorney's fees arising from any of these claims could have an adverse effect on our business and results of operations to the extent that we are not adequately insured against such risks or indemnified by our clients. In addition, our reputation may be negatively affected by such allegations.

The production and broadcasting of TV programs are regulated extensively in China, and our production of TV programs are subject to various PRC law and regulations.

In accordance with the requirements under applicable PRC laws and regulations, we have obtained a Permit for Production and Operation of Radio and TV Programs (廣播電視節目製作經營許可証). If our permit is revoked due to our serious violation of applicable rules in respect of the production and content of TV programs, or if we fail to renew our required permit upon its expiration, we may not continue to produce TV programs and our business will be materially adversely affected. The television stations and other media operators will review our TV programs before they are broadcasted. If our TV programs could not be broadcasted as a result of the non-compliance with relevant laws and regulations, such violation may result in penalties and our business and results of operations will be adversely affected.

Our current operating results may not be indicative of future earnings.

Our operating results may fluctuate significantly from period to period based on the seasonality of consumer spending, TV programs and marketing trends in China or other factors. For example, the demand for our services is usually higher during the second half of each year than it is during the first half, which is mainly attributable to the greater marketing and sales efforts of our clients during that period. In addition, we derive a portion of our revenues from organization, management and promotion of domestic and international sports-related competitions and events, the occurrence of which vary from period to period. If our revenues for a particular period are lower than we expect, we may be unable to reduce our operating expenses for that period by a corresponding amount, which would harm our operating results for that period relative to our operating results from other periods. As a result, our results of operations may fluctuate significantly from period to period and you should not rely on period-to-period comparisons of our historical results of operations as an indication of our future performance.

The recent global financial crisis and economic downturn have had, and may continue to have, a material adverse effect on our business, results of operations and financial condition.

The global financial crisis and economic downturn since 2008 and the ongoing European sovereign debt crisis have adversely affected economies and businesses around the world. China's economy has also faced challenges. To the extent that there have been improvements in some areas, it is uncertain whether such recovery is sustainable. Demand for our marketing communications services and the resulting marketing spending by our clients are highly sensitive to changes in economic conditions. Recessionary economic cycles may adversely affect the businesses of our clients, which can have the effect of reducing the volume of advertising time slots and other services our clients purchase from us.

In an economic downturn characterized by higher unemployment, lower corporate earnings, lower business investment and lower consumer spending, the demand for marketing communications services may be materially and adversely affected. In the past, our clients have responded to weakening economic conditions with reductions to their marketing budgets and downsizing or cancelling their marketing campaigns. This pattern may recur in the future. In addition, to the extent some of our clients experience financial difficulties as a result of the changes in economic conditions, we may suffer reduced revenues and write-offs of accounts receivables, among others.

Moreover, a slowdown in the global or China's economy or the recurrence of any financial disruptions may have a material and adverse impact on financings available to us. The weakness in the economy could erode investors' confidence, which constitutes the basis of the credit markets. The recent financial turmoil affecting the financial markets and banking system may significantly restrict our ability to obtain financing in the capital markets or from financial institutions on commercially reasonable terms, or at all. Although we are uncertain about the extent to which the recent global financial and economic crisis and slowdown of China's economy may impact our business in the short term and long term, there is a risk that our business, results of operations and prospects will be materially and adversely affected by any ongoing global economic downturn or slowdown in China's economy.

We may need additional capital and we may not be able to obtain it at acceptable terms or at all, which could adversely affect our liquidity and financial condition.

We may require additional cash due to changed business conditions or other future developments. If our current sources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity securities or convertible debt securities could result in dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations and liquidity.

Our ability to obtain additional capital on acceptable terms is subject to a variety of risks and uncertainties, including:

- investors' perception of, and demand for, our securities;
- prevailing conditions of the capital markets in which we seek to raise funds;
- our future results of operations, financial condition and cash flows;
- PRC governmental regulation of the marketing communications industry in China;

- PRC governmental policies relating to foreign currency; and
- economic, political and other conditions in China.

Any failure by us to raise additional funds that are necessary for our operations on terms favorable to us could have a material adverse effect on our liquidity and financial condition.

Our failure to protect our intellectual property rights could have a negative impact on our business and competitive position.

We operate in an industry that places a premium on creative abilities and artistic talents. Many of our work products resulting from our creative activities are the subject of intellectual property rights, on which our business relies to stay competitive in the marketplace. The success of our business depends substantially upon our continued ability to use our brand, copyright, trade names and trademarks to increase brand awareness and to further develop our brand. The unauthorized reproduction of our trade names or trademarks and the unauthorized broadcast of our video programs could diminish the value of our brand and its market acceptance, competitive advantages or goodwill and reduce our revenues. In addition, our proprietary information, which has not been patented or otherwise registered as our property, is a component of our competitive advantage and our growth strategy.

We rely on a combination of copyright, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property rights. Nevertheless, these afford only limited protection and policing unauthorized use of proprietary information can be difficult and expensive. In addition, the application of laws governing intellectual property rights in China and abroad is uncertain and evolving, and could involve substantial risks to us. To our knowledge, the relevant authorities in China historically have not protected intellectual property rights to the same extent as most other countries. If we were unable to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights, it could have a material adverse effect on our business, operating results and financial condition.

Our business may be adversely affected by unforeseen events or natural disasters that are beyond our control or other significant events.

Natural disasters, acts of war, political unrest, terrorist attacks and epidemics, which are beyond our control, may adversely affect the economy, infrastructure, and livelihood of the people of China, and may cause uncertainties and cause our business to suffer in ways that we cannot currently predict. The occurrence of any unforeseen events, natural disasters or other significant events, may adversely affect our sales and results of operations. For example, a magnitude 8.0 earthquake and a magnitude 7.0 earthquake struck Sichuan Province on May 12, 2008 and April 22, 2013, respectively. Many television stations in China significantly changed their programming after the earthquake to broadcast developments and rescue operations relating to the earthquake. All television channels in China ceased to broadcast any advertisements during a three-day national mourning period from May 19, 2008 to May 21, 2008. In addition, certain television advertisements with content that was deemed to be inappropriate for broadcast during coverage of this tragic event were suspended in May and June 2008. During the occurrence of a natural disaster like the earthquake that occurred in Sichuan Province in 2008, we may experience disruptions of our advertising placement and loss of our advertising time slots purchased from those television channels. In addition, such a natural disaster may adversely affect advertising spending of our clients, which may adversely affect our sales and results of operations. Therefore, if any unforeseen events, natural disasters or other significant events occur in the future, the broadcast of our clients' advertisements may be adversely affected, which may have a material adverse effect on our business, financial conditions and results of operations.

Our commercial use of owned properties and our rights to lease certain properties could be challenged, which could prevent us from continuing to operate the affected facilities or increase the costs associated with operating these facilities.

Our owned properties are currently used as office premises for our Group. However, the relevant building title certificates indicate that these properties are for residential use. If relevant authorities require us to conform to the designated usage specified in relevant building title certificates, we may be required to relocate our offices to other places and bear related relocation cost. For one leased property in Guangzhou, the lessor was unable to provide us with a copy of the building title certificate or document evidencing the authorization or consent of the ultimate owner of leasing such property. We are in the process of standardizing the internal procedures for signing lease agreements, including requiring lessors to provide title certificates for our review prior to signing, or written owners' consents, if the lessors are not the registered property owners. In addition, the lessors of most of our leased properties have not registered the relevant lease agreements with governmental authorities in the PRC. Under PRC law, such non-compliances may result in the risk that we may not be able to continue to occupy the relevant properties if any such lease is challenged by third parties or relevant authorities. If we need to relocate a large number of offices within a short period of time, our operations may be disrupted.

Our insurance coverage is limited and we may incur substantial costs as a result of a severe business liability or disruption or other unexpected events, which could have a material adverse effect on our financial condition and results of operations.

The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business disruption, business liability or similar business insurance products. We have determined that the risks of disruption or liability from our business, the cost of obtaining insurance coverage for these risks and the difficulties associated with obtaining such insurance on commercially reasonable terms make it impractical for us to have such insurance. As a result, we do not maintain insurance coverage for any business liability, disruption, litigation or property insurance coverage for our operations in China and would have to bear the costs and expenses associated with any such events out of our own resources, which in turn could have an adverse effect on our operating results.

RISKS RELATING TO STRUCTURED CONTRACTS AND OUR CORPORATE STRUCTURE

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

We and our PRC subsidiaries are considered foreign persons or foreign-invested enterprises under PRC laws, and, as a result, we are required to comply with PRC laws and regulations applicable to foreign investments, including those restricting foreign participation in the TV program production business. Because of these restrictions, we have developed a corporate structure in which we do not have an ownership interest in the entities involved in activities in which foreign entities' and foreign invested enterprises' participation is restricted. For a description of our corporate structure, see "History and Reorganization."

Based on the advice of King & Wood Mallesons, our PRC legal advisers, the corporate structure of our consolidated affiliated entities and our subsidiaries in China comply with all existing PRC laws and regulations. However, as there are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, we cannot assure you that the PRC regulatory authorities will not adopt any new regulation to restrict or prohibit foreign investment in the TV program production business through contractual arrangement in the future, or will not determine that our corporate structure and contractual arrangements violate PRC laws, rules or regulations. In addition, certain recent press articles claimed that certain PRC court rulings and arbitral decisions invalidated certain agreements which were intended to circumvent foreign investment restrictions in the PRC in contravention of the PRC Contract Laws and the General Principles of Civil Laws.

If we, any of the consolidated affiliated entities or any of their current or future subsidiaries are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion in dealing with such violations, including:

- revoke our business and operating licenses;
- require us to discontinue or restrict our operations;
- restrict our right to collect revenues;
- require us to restructure our operations in such a way as to compel us to establish a new enterprise, re-apply for the necessary licenses or relocate our businesses, staff and assets;
- impose additional conditions or requirements with which we may not be able to comply; or
- take other regulatory or enforcement actions against us that could be harmful to our business.

The imposition of any of these penalties may result in a material and adverse effect on our ability to conduct our business. In addition, if the imposition of any of these penalties causes us to lose the rights to direct the activities of the affiliated entities or our right to receive their economic benefits, we would no longer be able to consolidate these entities.

We rely on contractual arrangements with consolidated affiliated entities for our operations in China, which may not be as effective in providing operational control as direct ownership.

We have relied and expect to continue to rely on contractual arrangements with our consolidated affiliated entities to operate our TV program production business in China. For a description of these contractual arrangements, see "History and Reorganization — Reorganization — Structured Contracts." These contractual arrangements may not be as effective in providing us with control over these consolidated affiliated entities as direct ownership. If we had direct ownership of the consolidated affiliated entities, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of those entities, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the current contractual arrangements, we rely on the performance by the consolidated affiliated entities and their shareholders of their obligations under the contracts to exercise control over our consolidated affiliated entities. Therefore, our contractual arrangements with our affiliated entities may not be as effective in ensuring our control over our operations in China as direct ownership would be.

Any failure by our consolidated affiliated entities or their respective shareholders to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business and financial condition.

If a consolidated affiliated entity or its shareholders fail to perform their obligations under the contractual arrangements, we may have to incur substantial costs and resources to enforce our rights under the contracts, and rely on legal remedies under PRC law, including seeking specific performance or injunctive relief and claiming damages, which may not be effective. For example, if the shareholders of a consolidated affiliated entity were to refuse to transfer their equity interest in such consolidated affiliated entity to us or our designee when we exercise the call option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations. Furthermore, enforcement of certain terms in the Structured Contracts, such as the remedies provided by an arbitrator, may not be enforced by PRC courts or may not be enforceable under the PRC laws. In addition, the shareholders of Beijing Wisdom Media expect to register the share pledges under the share pledge agreement with the relevant administration for industry and commerce after the signing of such agreement and currently do not expect to encounter any legal barriers to complete the registration. However, in the event that the shareholders of Beijing Wisdom fail to register the share pledges and future share pledges with the relevant administration for industry and commerce, the share pledges under the share pledge agreement may be considered unenforceable.

All of these contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal system in China is not as developed as in other jurisdictions. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. Under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would incur additional expenses and delay. In the event we are unable to enforce these contractual arrangements, we may not be able to exert effective control over our consolidated affiliated entities, and our ability to conduct our business may be negatively affected.

Contractual arrangements our subsidiary has entered into with our consolidated affiliated entities may be subject to scrutiny by the PRC tax authorities and a finding that we or our consolidated affiliated entities owe additional taxes could substantially reduce our combined net income and the value of your investment.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year when the transactions are conducted. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements between or amongst Beijing Wisdom Media and its subsidiaries, all of the shareholders of Beijing Wisdom Media and its subsidiaries, and Wisdom Culture do not represent arm's-length negotiations and consequently adjust our consolidated affiliated entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by our consolidated affiliated entities, which could in turn increase their tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties to our consolidated affiliated entities for any unpaid taxes. Our combined net income may be materially and adversely affected if our affiliated entities' tax liabilities increase or if they are subject to late payment fees or other penalties.

The shareholders, directors and executive officers of our consolidated affiliated entities may have potential conflicts of interest with our Company, which may materially and adversely affect our business.

Ms. Ren Guozun, Mr. Sheng Jie and Mr. Zhang Han are shareholders, directors and executive officers of Beijing Wisdom Media, one of our consolidated affiliated entities. Ms. Ren, Mr. Sheng and Mr. Zhang are also directors of our Company.

PRC laws provide that a director or an executive officer owes a fiduciary duty to the company he directs or manages. As directors and executive officers of Beijing Wisdom Media, Ms. Ren, Mr. Sheng and Mr. Zhang must therefore act in good faith and in the best interests of Beijing Wisdom Media and must not use their respective positions for personal gain. On the other hand, as directors of our Company, Ms. Ren, Mr. Sheng and Mr. Zhang have a duty of care and loyalty to our Company and to our shareholders as a whole under Cayman Islands law. As a result, for Ms. Ren, Mr. Sheng and Mr. Zhang, conflicts of interests may arise due to their dual roles both as directors and executive officers of Beijing Wisdom Media and as directors of our Company, and may also arise due to their dual roles both as shareholders of Beijing Wisdom Media and as directors of our Company.

Ms. Ren, Mr. Sheng and Mr. Zhang may breach or cause the consolidated affiliated entities to breach or refuse to renew the existing contractual arrangements that allow us to effectively control those entities and receive economic benefits from them. If we cannot resolve any conflicts of interest or disputes between us and Ms. Ren, Mr. Sheng and Mr. Zhang, we would have to rely on legal proceedings to resolve these disputes and/or enforce our agreements for such contractual arrangements, which may be expensive, time-consuming and disruptive to our operations, and there may also be substantial uncertainty as to the outcome of any such legal proceedings.

We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have. Any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business.

We are a holding company, and we may rely on dividends and other distributions on equity to be paid by our wholly-owned PRC subsidiary, Wisdom Culture, for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. If Wisdom Culture incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us.

Under PRC laws and regulations, Wisdom Culture, as a wholly foreign-owned enterprise in China, may pay dividends only out of its accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise such as Wisdom Culture is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of its registered capital. At its discretion, it may allocate a portion of its after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends.

Any limitation on the ability of Wisdom Culture to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business. See "— Risks Related to Doing Business in China — The dividends we receive from our PRC subsidiaries and our worldwide income may be subject to PRC tax under the PRC EIT law, which would have a material adverse effect on our results of operations" and "— Risks Related to Doing Business in China — Our foreign investors may be subject to a PRC withholding tax upon the dividends payable by us on our Shares and upon gains realized on the sale of our Shares, if we are classified as a PRC 'resident enterprise'."

RISKS RELATED TO DOING BUSINESS IN CHINA

Changes in the PRC's political, economic or social conditions or government policies could have a material adverse effect on our business and operations.

Since all of our business operations are conducted in China, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic, social conditions and legal developments in China.

The PRC economy differs from the economies of most developed countries in many respects, including but not limited to, level of government involvement, level of development, growth rate, control of foreign exchange, and allocation of resources.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. Although the PRC government has in recent years implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of the productive assets in China is still owned by the PRC government. The PRC government also exercises significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies.

The PRC government has implemented various measures to encourage economic growth. Some of these measures benefit the overall PRC economy, but may also have a negative effect on us. For example, our operating results and financial condition may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. The PRC government has implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, which could in turn reduce the demand for our services and adversely affect our operating results and financial condition.

The PRC government also regulates television broadcasts, including the amount of broadcast time that may be set aside for advertisements. Changes in these regulations, and particularly any reduction in the amount of broadcast time that may be set aside for advertisements, could have a material adverse impact on our business and operations.

Uncertainties with respect to the PRC legal system could limit the legal protections available to you and us.

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which legal decisions have limited value as precedents. In the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly increased the protections afforded to various forms of foreign or private-sector investment in China. However, since the PRC legal system is still evolving, the interpretations of many laws, regulations and rules and their enforcement involve uncertainties, which may limit legal protections available to us and other investors, including you. For example, we may have to resort to administrative and court proceedings to enforce the legal protection that we enjoy either by law or contract. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy in China than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into with our business partners, clients and suppliers, and thus may materially and adversely affect our business and operations.

The dividends we receive from our PRC subsidiaries and our worldwide income may be subject to PRC tax under the PRC EIT law, which would have a material adverse effect on our results of operations.

On March 16, 2007, the PRC National People's Congress enacted the Enterprise Income Tax Law (the "EIT Law"), and on December 6, 2007, the PRC State Council issued the Implementation Regulations of the Enterprise Income Tax Law (the "Implementation Regulations"), both of which became effective on January 1, 2008. Under the EIT Law and its Implementation Regulations, dividends, interests, rent and royalties payable by a enterprise to investors that are non-resident enterprises will be subject to a 10% withholding tax, unless such non-resident enterprise's jurisdiction of incorporation has a tax treaty with the PRC that provides for a reduced rate of withholding tax.

We were incorporated in the Cayman Islands and we hold interests in our PRC subsidiaries through our indirectly wholly-owned subsidiary, Auto Culture Group Holdings Limited, a Hong Kong incorporated company. According to the double taxation avoidance arrangement between the PRC and Hong Kong, dividends paid by a foreign-invested enterprise in China to its shareholder(s) incorporated in Hong Kong will be subject to withholding tax at a rate of 5% if certain criteria are fulfilled. One criterion is that the Hong Kong holding company directly holds 25% or more shareholder interest in the PRC enterprise. The SAT issued Circular 601 on October 27, 2009, addressing which entities are treated as "beneficial owners" eligible for tax benefits under the tax treaties on dividends, interest, and royalties. Circular 601 provides that PRC tax authorities will evaluate each applicant (income recipient) on a case-by-case basis to determine whether it qualifies as a "beneficial owner" of a PRC enterprise. In addition, Circular 601 establishes that when PRC tax authorities are performing the "beneficial owner" evaluation they will use the "substance over form" principle as the basis to make their determination. It is possible, based on these principles, that the PRC tax authorities would not consider Auto Culture Group Holdings Limited to be the "beneficial owner" of any dividends paid from our PRC subsidiaries and thus would deny the claim for the reduced rate of withholding tax. Another criterion relates to the ownership structure, which requires that the Hong Kong holding company should be directly held by the listed entity. For these reasons, our current company structure is not likely to be entitled to the reduced rate of 5%. Any dividends from our PRC subsidiaries to Auto Culture Group Holdings Limited will instead be subject to the PRC withholding tax at a 10% rate. The imposition of any PRC withholding tax will reduce our net income and would have an adverse effect on our operating results.

Under the EIT Law, an enterprise established outside China with its "de facto management body" within China is considered a resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its worldwide income. The "de facto management body" is defined as the organizational body that effectively exercises overall management and control over production and business operations, personnel, finance and accounting, and properties of the enterprise. It remains unclear how the PRC tax authorities will interpret such a broad definition. Currently, all of our management is based in China, and there are no plans to move the company management outside of China in the future. If the PRC tax authorities subsequently determine that we should be classified as a resident enterprise, then our worldwide income will be subject to income tax at a uniform rate of 25%, which may have a material adverse effect on our financial condition and results of operations. Notwithstanding the foregoing provision, the EIT Law also provides that, if a resident enterprise directly invests in another resident enterprise, the dividends received by the investing resident enterprise from the invested enterprise are exempted from income tax, subject to certain conditions. Therefore, if we are classified as a resident enterprise, the dividends we receive from our PRC subsidiaries may be exempt from PRC enterprise income tax. However, it remains unclear how the PRC tax authorities will interpret the PRC tax resident treatment of an offshore company, like us, having indirect ownership interests in PRC enterprises through intermediary holding vehicles.

Our foreign investors may be subject to a PRC withholding tax upon the dividends payable by us on our Shares and upon gains realized on the sale of our Shares, if we are classified as a PRC "resident enterprise".

Under the EIT Law, any dividends paid to and gain realized by "non-resident enterprises" is subject to a 10% withholding tax to the extent such gain is sourced within China, unless the "non-resident enterprises" are otherwise exempted or reduced by tax treaties. PRC withholding tax at a 20% rate may apply to dividends paid to and any gain realized by non-resident individual shareholders. Therefore, if we are classified as a PRC resident enterprise under the EIT Law by the PRC tax authorities, we may be required to withhold PRC income tax on capital gains realized from sales of our Shares and dividends distributed to shareholders that are "non-resident enterprises," as such income may be regarded as income from "sources within China." In such a case, our foreign corporate shareholders that are "non-resident enterprises" may become subject to a 10% withholding income tax under the EIT Law and our non-resident individual shareholders may become subject to a 20% withholding income tax, unless any such shareholders are qualified for preferential withholding rates under tax treaties.

If the PRC tax authorities recognize us as a PRC resident enterprise under the EIT Law, shareholders that are not PRC tax residents and wish seek to enjoy preferential tax rates under relevant tax treaties will need to apply to the PRC tax authorities for recognition of their eligibility for such benefits in accordance with Notice of the SAT on Issues Relating to the Measures for the Administration of Non-Residents' Claim for Treatment under the Double Taxation Treaties (Trial), or Circular 124, issued by the SAT on August 24, 2009. The PRC tax authorities are likely to determine eligibility based on a substantive analysis of the shareholder's tax residency and economic substance. Moreover, with respect to taxation of dividends, the "beneficial ownership" test under Circular 601 will also apply. If a shareholder is determined to be ineligible for treaty benefits, such shareholder would become subject to higher PRC tax rates on capital gains realized from sales of our Shares and on dividends on our Shares. In such circumstances, the value of such foreign shareholders' investment in our Shares may be materially and adversely affected.

We face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or SAT Circular 698, issued by the State Administration of Taxation, or the SAT, on December 10, 2009 with retroactive effect from January 1, 2008, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly via disposing of the equity interests of an overseas holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the non-resident enterprise, being the transferor, shall report to the relevant tax authority of the PRC resident enterprise this Indirect Transfer. Using a "substance over form" principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. SAT Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

There is uncertainty as to the application of SAT Circular 698. For example, while the term "Indirect Transfer" is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions, and the process and format of the reporting of an Indirect Transfer to the relevant tax authority of the PRC resident enterprise. In addition, there are not any formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax. SAT Circular 698 may be determined by the tax authorities to be applicable to our private equity financing transactions where non-resident investors were involved, if any of such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we and our non-resident investors in such transactions may become at risk of being taxed under SAT Circular 698 and we may be required to expend valuable resources to comply with SAT Circular 698 or to establish that we should not be taxed under the general anti-avoidance rule of the PRC Enterprise Income Tax Law, which may have a material adverse effect on our financial condition and results of operations or such non-resident investors' investments in us.

PRC regulations relating to the establishment of offshore holding companies by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

SAFE has promulgated several regulations, including the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-Raising and Round-trip Investment Activities of Domestic

Residents Conducted via Offshore Special Purpose Companies, or SAFE Circular No. 75, issued on November 1, 2005. These regulations require PRC residents and PRC corporate entities to register with local branches of SAFE in connection with their direct or indirect offshore investment activities. These regulations apply to our shareholders who are PRC residents by virtue of their establishment or their maintaining a controlling interest in our company, and may apply to any offshore acquisitions that we make in the future.

Our beneficial owners who are PRC citizens or residents completed their required registrations with SAFE on June 4, 2013. However, we may not at all times be fully aware or informed of the identities of all of our beneficial owners who are PRC citizens or residents, and we may not always be able to compel our beneficial owners to comply with Circular No. 75; nor can we ensure you that their registrations, if they choose to apply, will be successful. The failure or inability of our PRC resident beneficial owners to make any required registrations or comply with these requirements may subject such beneficial owners to fines and legal sanctions and may also limit our ability to contribute additional capital into or provide loans to our China operations, limit our PRC subsidiary's ability to pay dividends or otherwise distribute profits to us, or otherwise materially and adversely affect us.

It may be difficult to effect service of process on, or to enforce any judgments obtained outside China against us, our Directors or our senior management members who reside in China.

All of our operating assets are located in China, and most of our officers and Directors reside in China. China does not currently have treaties providing for the reciprocal recognition or enforcement of judgments of courts located in the United States, the United Kingdom, Singapore, Japan, or most other countries. On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters, pursuant to which a party with a final court judgment rendered by a court of law in Hong Kong in respect of a judgment sum payable under a civil and commercial action may apply for enforcement of such judgment in China, and vice versa. However, it is impossible to enforce a judgment rendered by Hong Kong's court of law in China if there is no prior agreement as to the choice of court. In addition, according to the PRC Civil Procedures Law, courts in China will not enforce a foreign judgment if they decide that the judgment violates the basic principles of the PRC laws, national sovereignty, security or public interest. Therefore, it may not be possible for investors to effect service of process upon our subsidiaries or our Directors pursuant to the authority of non-PRC courts, and it may be difficult for our shareholders to enforce against us in China any judgments obtained from non-PRC courts.

Government control in currency conversion and future movements in foreign exchange rates may adversely affect our financial condition, results of operations, and ability to remit dividends.

Our business is located in the PRC and most of the transactions are conducted in Renminbi. The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under the relevant foreign exchange restrictions in China, conversion of the Renminbi is permitted, without the need for SAFE approval, for "current account" transactions, which includes dividends, trade, and service-related foreign exchange transactions. Conversion of the Renminbi for "capital account" transactions, which includes foreign direct investment and loans, is still subject to significant limitations and requires approvals from and registration with SAFE and other PRC regulatory authorities. We cannot assure you that SAFE or other PRC governmental authorities will not further limit, or eliminate, our ability to purchase foreign currencies in the future. Any existing and future restrictions on currency exchange in China may restrict our ability to convert cash derived from our operating activities into foreign currencies to fund expenditures denominated in foreign currencies. If the foreign exchange control system in China prevents us from obtaining sufficient foreign currencies to satisfy our currency demand, we may not be able to pay dividends in foreign currencies to our shareholders.

The exchange rates between the Renminbi and the U.S. dollar, Euro and other foreign currencies are affected by, among other things, changes in China's political and economic conditions. Beginning on July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. This change in policy has resulted in a significant appreciation of the Renminbi against the U.S. dollar. On September 23, 2005, the PRC government widened the daily trading band for Renminbi against non-U.S. dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. Effective May 21, 2007, the People's Bank of China expanded the floating range of the trading price of the U.S. dollar against the Renminbi in the inter-bank spot foreign exchange market. On June 19, 2010, the People's Bank of China announced that the PRC government will reform the RMB exchange rate regime and increase the flexibility of the exchange rate.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Ms. Ren Guozun (任國尊) (also known as Ren Wen (任文)) (the Chairlady)	Flat 201, Unit 2, No. 2 Building, 9 Shuangqiao East Road, Chaoyang District, Beijing, PRC	Chinese
Mr. Sheng Jie (盛杰)	36-510 Dongjiang Nanli, Xueyuan Road, Hexi District, Tianjin, PRC	Chinese
Mr. Zhang Han (張晗)	Flat 404, Unit 2, No. 2 Building, 823 Xiguanzheng Road, Hantai District, Hanzhong City, Shaanxi, PRC	Chinese
Non-executive Directors		
Mr. Jin Haitao (靳海濤)	3-402, Saige Yuan, Futian, Shenzhen, Guangdong, PRC	Chinese
Mr. Wang Shihong (王世宏)	Room 402, No. 8 Baolin, Yicun, Baoshan District, Shanghai, PRC	Chinese
Mr. Xu Jiongwei (徐炯煒)	Flat 1101, 788 Nong, 83 Hualing Road, Baoshan District, Shanghai, PRC	Chinese
Independent non-executive Directors		
Mr. Wei Kevin Cheng (蔚成)	#701, Embassy House #18 Dongzhimen Xiao Jie, Chaoyang District, Beijing, PRC	United States
Mr. Ip Kwok On Sammy (葉國安)	Flat 08, 33/F, Block E Po Yiu House Po Pui Court, Kwun Tong, Kowloon, Hong Kong	Hong Kong
Mr. Jin Guoqiang (金國強)	3-408, 6th Floor 10 Jianxi Street Beilin District, Xi'an Shaanxi, PRC	Chinese

Legal advisers to our Company	As to Hong Kong law: King & Wood Mallesons 13th Floor Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong As to US law: Wilson Sonsini Goodrich & Rosati, P.C. Unit 1001 10/F Henley Building 5 Queen's Road Central Hong Kong As to PRC law: King & Wood Mallesons 40th Floor, Office Tower A Beijing Fortune Plaza 7 Dongsanhuan Zhonglu Chaoyang District Beijing, PRC As to Cayman Islands law: Conyers Dill & Pearman (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Auditors and reporting accountants	PricewaterhouseCoopers Certified Public Accountants 22/F, Prince Building Central, Hong Kong

CORPORATE INFORMATION

Registered Office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarters and Principal Place of Business in PRC	C 303, First Shanghai Centre 39 Liangmaqiao Road Beijing, PRC
Principal Place of Business in Hong Kong	13th Floor Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Company Secretary	Mr. Dominic Leung Oi Kin ASA Associate member (Aust.) Flat 2B, Block 7 Lily Mansions, Whampoa Garden Hunghom Kowloon
Members of the Audit Committee	Mr. Wei Kevin Cheng (chairperson) Mr. Jin Guoqiang Mr. Wang Shihong
Members of the Remuneration Committee	Mr. Jin Guoqiang (chairperson) Mr. Wei Kevin Cheng Mr. Sheng Jie
Members of the Nomination Committee	Ms. Ren Guozun (chairperson) Mr. Ip Kwok On Sammy Mr. Jin Guoqiang
Cayman Islands Principal Share Registrar and Transfer Office	Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Compliance Advisor	Somerley Limited

This section contains information and statistics relating to the Chinese economy and the industry in which we operate. We commissioned Ipsos, an independent market research firm, as an industry consultant to prepare an industry research report, the Ipsos Report. The information and data in this section have been derived from third-party sources including the Ipsos Report. While we and our Directors have taken reasonable care in the extraction, compilation and reproduction of the information derived from independent sources, we cannot assure you as to the accuracy or completeness of such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading.

Unless otherwise indicated, information and statistics relating to the global and PRC marketing communications industry in this and other sections of this document have been derived from the Ipsos Report.

THE IPSOS REPORT

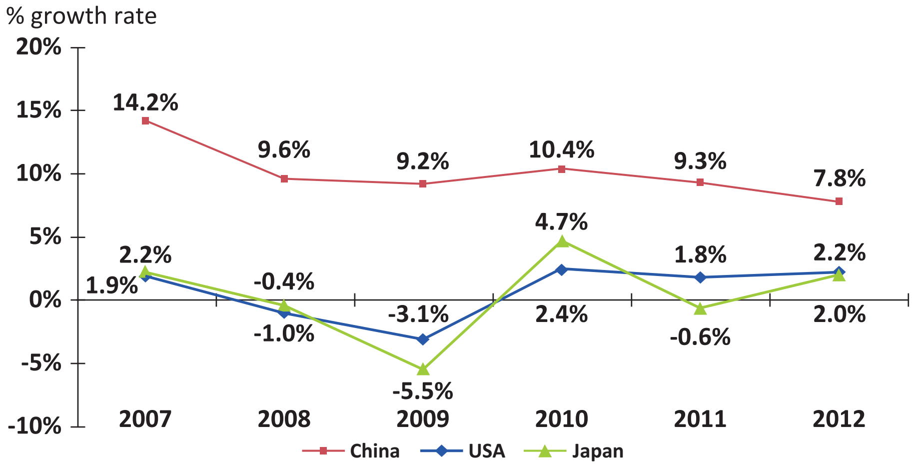
We have commissioned Ipsos, an international market research firm and an Independent Third Party, to assess the overall industry situation and development trends and to analyze the competitive landscape of marketing communications and passenger vehicle marketing communications industries in China. Ipsos was founded in 1975 and listed on NYSE Euronext Paris in 1999 with presence in 84 countries. After the completion of its acquisition of Synovate in October 2011, Ipsos became the third largest global market research company. Ipsos' independent research was undertaken through primary research and secondary research. Primary research involves interviewing key stakeholders and industry experts, such as associations and experts, media companies, marketing communications companies, TV broadcasting companies, passenger vehicle companies, TV production companies, sports events organizers, magazine publishers, etc. Sources of secondary research include government department statistics, trade and business press, company annual reports and publicity materials, industry reports and analyst reports, industry associations reports, industry journals, other online sources and data from the research database of Ipsos. Ipsos indicated that the methodology adopted has enabled a full-circle and multi-level information sourcing process, where information gathered can be cross-referenced to ensure accuracy. Intelligence gathered by Ipsos has been analyzed, assessed and validated using Ipsos' in-house analysis models and techniques. The projections and data relating to future periods made by Ipsos are mainly based on the assumptions that (i) there is no external shock such as natural disasters or the wide outbreak of diseases to affect the demand and supply of marketing communications solutions in China; (ii) there will be no aggressive incentive policy to boost the retail sales of passenger vehicle during 2012-2016; and (iii) the Chinese economy is expected to slow down at an average growth rate of around 7.0% from 2013 to 2016 according to the "12th Five-Year Plan" of the China's National Economy for Social Development. The total consideration we paid to Ipsos amounts to HK$298,000, which we believe reflects market rates.

OVERVIEW OF MACRO-ECONOMIC ENVIRONMENT IN CHINA

Real GDP growth in China

China's real GDP growth has remained above the world's average in the past few years despite global economic downturn. Due to the global financial crisis, the world's GDP slumped significantly in 2009 by 2.3% and rebounded to a growth of 4.1% in 2010. Growth slowed down again in 2011 due to the European debt crisis. Real GDP growth rate in China has also dropped from 14.2% in 2007 to 9.2% in 2009 due to the global financial crisis, but rebounded in 2010 to 10.4% as a result of the RMB 4 trillion stimulus package announced by the PRC government in November 2008. However, the slowdown of the global economy and the European debt crisis caused GDP growth in China to slow down again to 7.8% in 2012.

The real GDP growth rate of China was consistently higher than that of the USA and Japan from 2007 to 2012. The chart below illustrates the real GDP growth rate of China, the USA and Japan from 2007 to 2012:



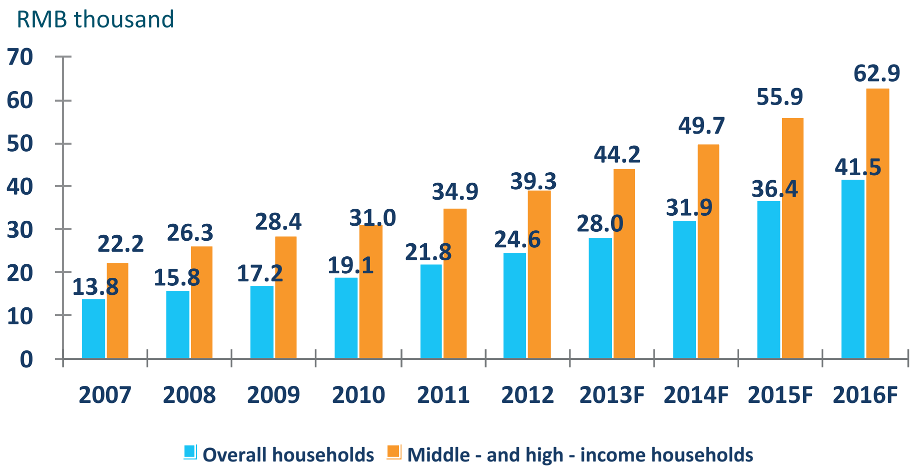
Definition of GDP: Gross domestic product at real term

Source: Ipsos based on National Bureau of Statistics of China and International Monetary Fund.

Increasing household income in China

Increase in household disposable income was a main growth driver of Chinese economy in the past decade. According to National Bureau of Statistics of China, the average annual household disposable income per capita for overall households in China grew at a CAGR of 12.3% from 2007 to 2012, whilst that for middle and high income household grew at a CAGR of 12.1% from 2007 to 2012. Such growth was mainly attributable to the increase in the number of wealthy households. The robust growth in Chinese economy and strong domestic consumption in recent years have also led to an increase in living standards for urban households. According to Ipsos, it is expected that the average annual household disposable income per capita for overall households in China will continue to grow at a CAGR of 14.0% from 2013 to 2016, while that for middle- and high-income households will grow at a CAGR of 12.5% during the same period.

The following chart shows the average annual household disposable income per capita in China for overall and middle- to high-income households respectively from 2007 to 2012 and the forecast for 2013 to 2016:

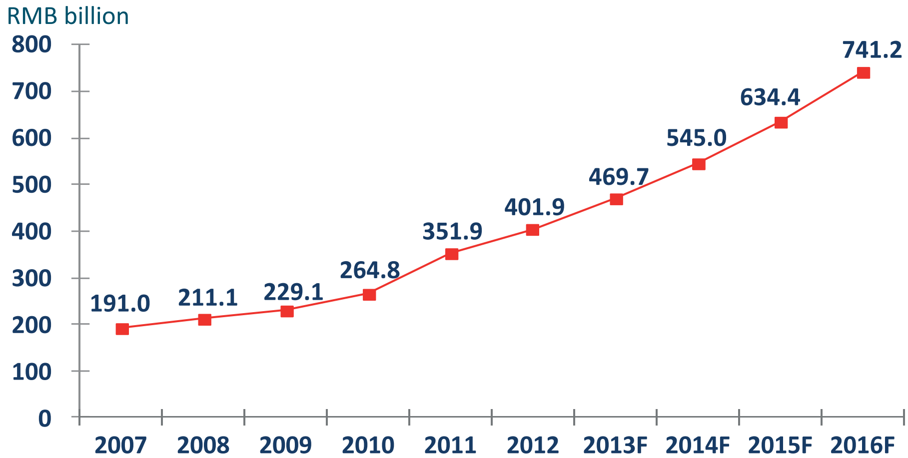


Source: Ipsos analysis and based on National Bureau of Statistics of China.

Despite its growing economy, China is still a developing country with its average annual household disposable income per capita remaining relatively low. The "Income-Doubling plan" to double average wages over the five years from 2011, together with the PRC government's attempt to further raise the individual income tax threshold from RMB2,500 to RMB3,000 per month, is expected to boost the average annual household disposable income per capita in China. With more households with middle- to high-income level in China, it is expected that the spending power of Chinese residents on high value consumer goods and luxury goods will increase, which may in turn incentivize brand owners to increase their marketing expenditures to capture the opportunities.

OVERVIEW OF MARKETING EXPENDITURES IN CHINA

Marketing expenditure in China in respect of advertisements and marketing events increased at a CAGR of 16.0% from RMB191.0 billion in 2007 to RMB401.9 billion in 2012, according to Ipsos. Growth in marketing expenditure in China slowed down in 2009 due to the global financial crisis that hampered sales and tightened marketing budgets of brand owners. However, marketing expenditure increased again in 2010 and 2011 along with the economy recovery and restored confidence of brand owners. The increase in advertising rates in various media platforms, such as TV, digital and print media, also contributed to the increased marketing expenditure in China. Driven mainly by the rapid growth of digital media advertising, it is expected that marketing expenditure in China will sustain the growth from 2013 to 2016 at a CAGR of 16.4%, according to Ipsos.



Sources: Ipsos interviews and analysis

Marketing expenditure by passenger vehicles in China

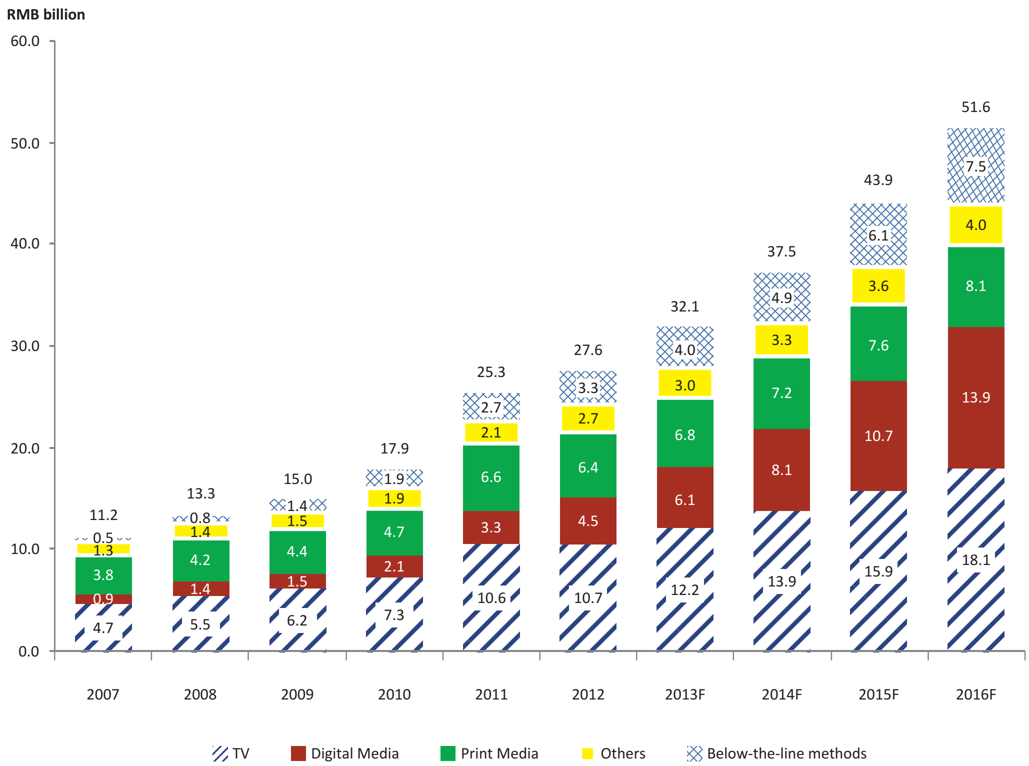
Total marketing expenditure by passenger vehicles in China continued to increase from RMB11.2 billion in 2007 to RMB27.6 billion in 2012 at a CAGR of 19.8%. According to Ipsos, marketing expenditure by passenger vehicles in China is expected to grow from RMB32.1 billion in 2013 to RMB51.6 billion in 2016 at a CAGR of 17.1%, mainly driven by the increase of marketing expenditure through digital media by passenger vehicles brand owners.

TV is the major media channel for marketing communications for passenger vehicles and accounted for 38.7% of total marketing expenditure by passenger vehicles in China in 2012. Digital media and below-the-line methods have grown rapidly and accounted for 16.3% and 12.0%, respectively, of the total marketing expenditure by passenger vehicles in China in 2012.

From 2007 to 2012, marketing expenditure by passenger vehicles through TV channels increased at a CAGR of 17.9%. During the same period, marketing expenditure by passenger vehicles through digital media increased at a CAGR of 38.0% and that of below-the-line marketing methods increased at a CAGR of

45.9%. Although digital media and below-the-line marketing methods grew quickly from 2007 to 2012, it is expected that TV will remain as the dominant media channel through 2016.

From 2013 to 2016, marketing expenditure by passenger vehicles through TV channels is expected to increase at a CAGR of 14.1%, while those through digital media and below-the-line marketing methods are expected to increase at a CAGR of 31.6% and 23.3%, respectively. The following chart shows the total marketing expenditure by passenger vehicles in China and further breakdown of the marketing expenditure by different media channels from 2007 to 2012, and the forecasts from 2013 to 2016:



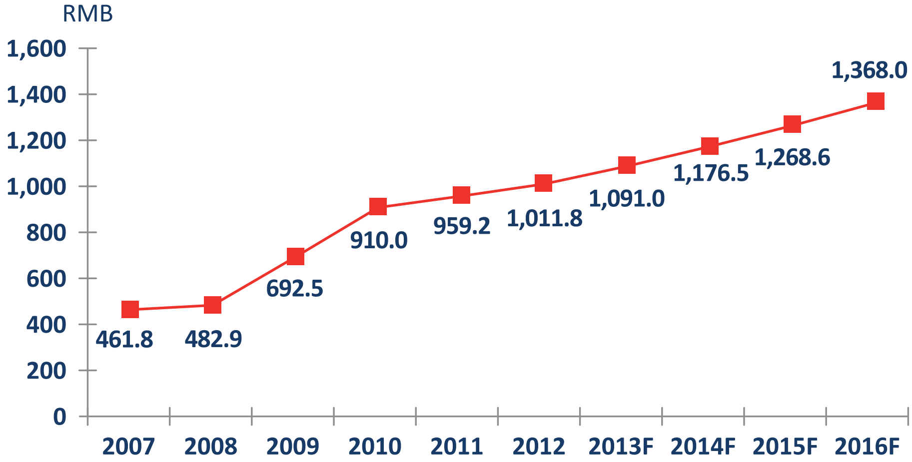
Sources: Ipsos interviews and analysis

Retail spending on passenger vehicles in China

There is an increasing trend in the total retail spending on passenger vehicles per capita, from RMB461.8 in 2007 to RMB1,011.8 in 2012 at a CAGR of 17.0%. With the increase of household disposable income per capita in the coming years, total retail spending on passenger vehicles per capita is expected to increase from RMB1,091.0 in 2013 to RMB1,368.0 in 2016 at a CAGR of 7.8%.

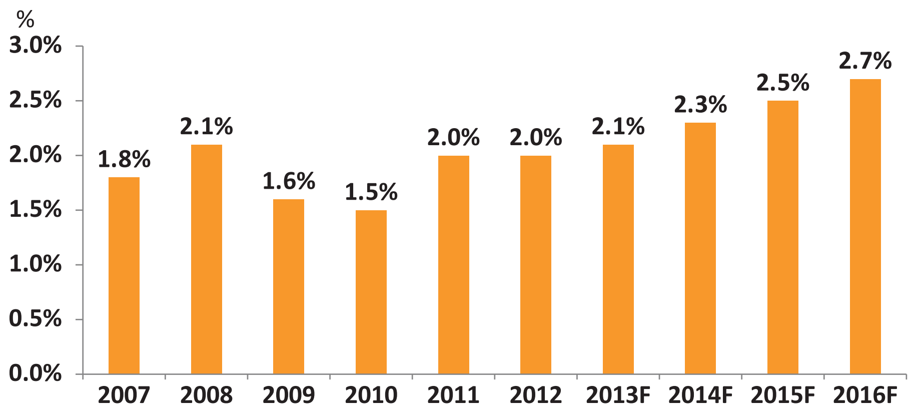
Due to the global financial crisis in 2008, growth of the passenger vehicle market slowed down in China. However, with the stimulus by the PRC government in cancelling car purchase tax and introducing fuel tax reform, the passenger vehicle market rebounded significantly in China in 2009 and 2010. The total retail spending on passenger vehicles per capita increased by 43.4% and 31.4% in 2009 and 2010, respectively. Since 2009, China has surpassed the USA and become the largest passenger vehicle market globally, making China the key source of profit for certain international automobile brands.

The following chart shows the total retail spending on passenger vehicles per capita in China from 2007 to 2012 and the forecast from 2013 to 2016:



Sources: Ipsos research and analysis, based on National Bureau of Statistics of China

The percentage of marketing expenditure by passenger vehicles out of total vehicle retail sales grew from 1.8% in 2007 to 2.0% in 2012. As it is anticipated that the competition of the passenger vehicles market will intensify, which may drive up marketing expenditure, and price of passenger vehicles will decline, the percentage of marketing expenditure by passenger vehicles out of total vehicle retail sales is expected to increase from 2.1% in 2013 to 2.7% in 2016. The following chart shows the percentages of marketing expenditure by passenger vehicles out of total vehicle retail sales from 2007 to 2012 and the forecast from 2013 to 2016:



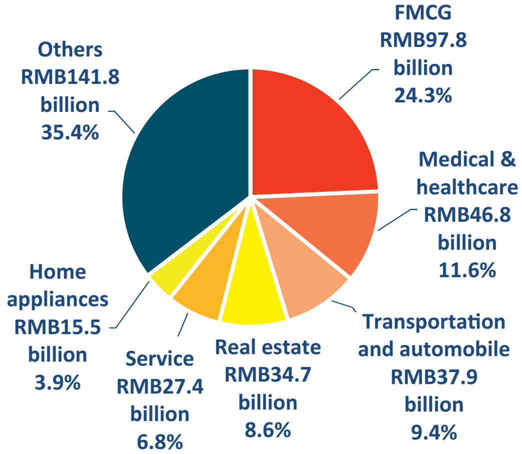
Notes: Total marketing expenditure includes above-the-line and below-the-line marketing

Sources: Ipsos interviews and analysis

Marketing expenditure on other industries in China

In 2012, fast moving consumer goods ("FMCG"), medical and healthcare, and transportation and automobile are the top three industries in terms of above-the-line marketing expenditure in China. According to Ipsos, marketing expenditure on FMCG, medical and healthcare, and transportation and automobile industries in 2012 reached RMB97.8 billion, RMB46.8 billion and RMB37.9 billion, accounting for 24.3%, 11.6% and 9.4% of the total marketing expenditure in China, respectively.

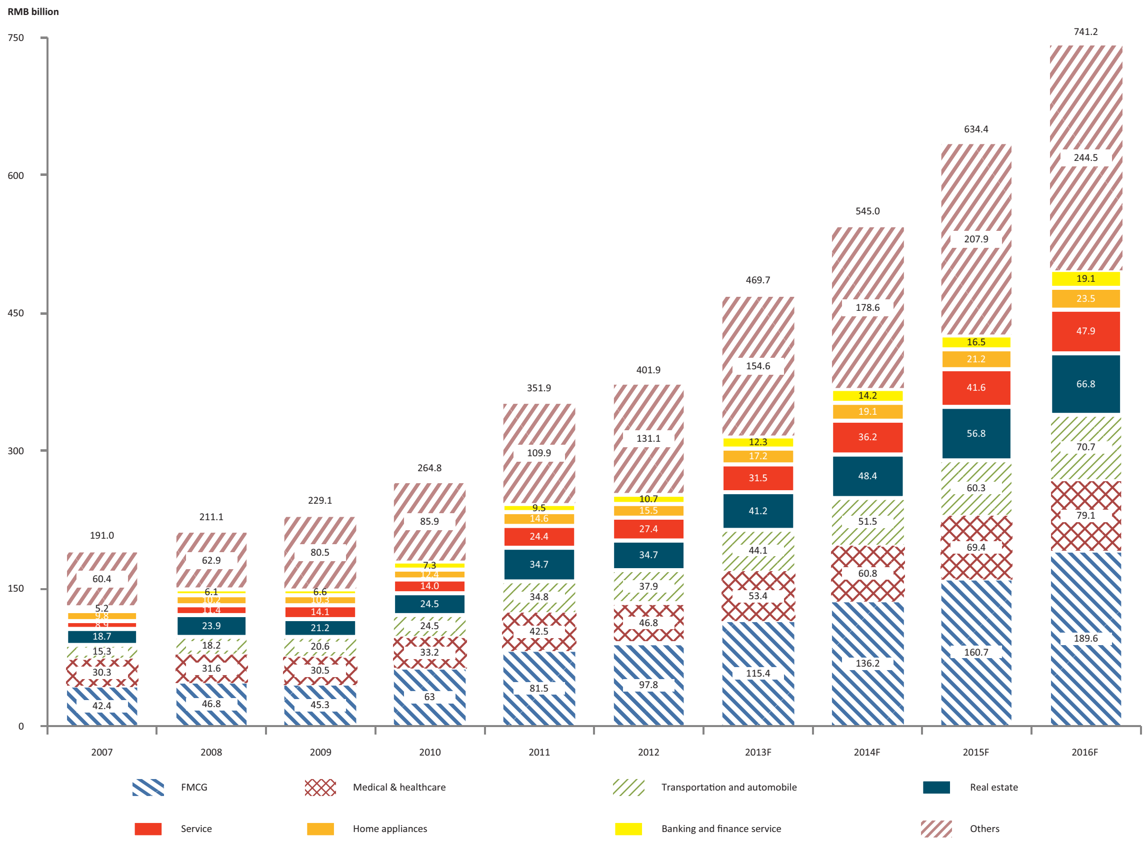
The following chart shows the breakdown of total marketing expenditure in China in 2012:



Notes: (1) Total marketing expenditure includes above-the-line and below-the-line marketing; (2) Marketing expenditure on transportation and automobile industry includes passenger vehicles, other types of vehicles, and transportation (railway and rental) services; (3) Others include information and technology, education, banking and finance, apparel etc.

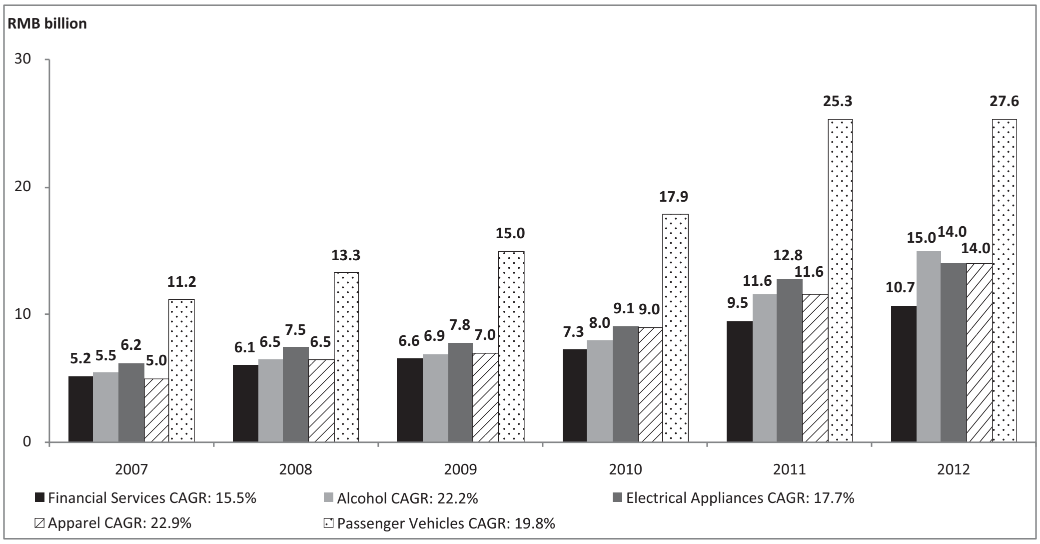
Sources: Ipsos interviews and analysis

According to Ipsos, marketing expenditure of service industry grew fastest among all industries at a CAGR of 25.2% from 2007 to 2012, while transportation and automobile industry grew second fastest at a CAGR of 19.9% during the same period. From 2013 to 2016, marketing expenditure of FMCG industry is expected to grow fastest among all industries at a CAGR of 18.0%, followed by that of transportation and automobile industry at a CAGR of 17.0%. The following chart shows the total marketing expenditure of different industries in China from 2007 to 2012, and the forecast from 2013 to 2016:



Sources: Ipsos interviews and analysis

High-income group in China tends to spend on high value-added services and luxury goods, such as financial services, alcohol, electrical appliances, high-end apparel and passenger vehicles. When comparing the marketing expenditure among these five selected industries, passenger vehicles was the largest from 2007 to 2012. The following chart shows the marketing expenditure by industries from 2007 to 2012:



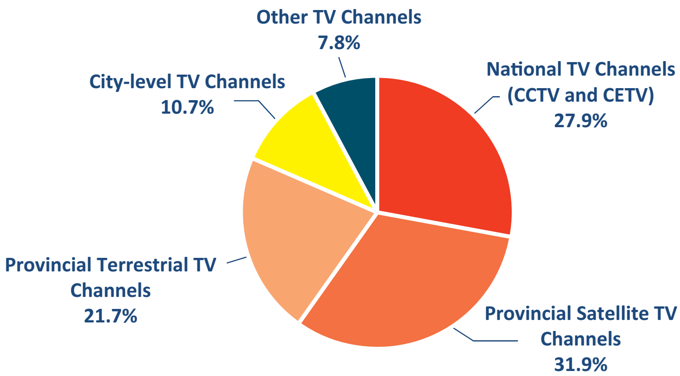
Sources: Ipsos interviews and analysis

OVERVIEW OF THE MARKETING COMMUNICATIONS INDUSTRY IN CHINA

The marketing communications industry involves marketing strategy implementation services for clients such as research and development, marketing content production, sales, channeling, etc. through above-the-line advertising media, including TV, digital media, print media, and below-the-line marketing methods, such as events, fairs, exhibition and road-shows.

Above-the-line advertising media channels

Above-the-line advertising media channels mainly consist of TV, digital media and print media, among which TV is the dominant channel. TV penetration in China reached 98.2% of the total population in 2012. There are five types of TV channels in China, including national TV channels (CCTV and CETV), provincial satellite TV channels, provincial terrestrial TV channels, city level terrestrial TV channels and others. TV channels with national reach, including CCTV, CETV and provincial satellite TV channels, have maintained a steady market share in each year from 2007 to 2011. Provincial terrestrial TV channels, city level terrestrial TV channels and other types of TV channels only broadcast locally. CCTV is China's largest and most influential television station with 37 channels, which include about 25 public channels and 12 pay-per-view channels. In 2012, the number of TV audience for CCTV was estimated to reach about 768 million. In addition to CCTV and CETV, there are 31 provincial satellite TV stations and 277 provincial terrestrial, city level terrestrial and others types of TV stations with 2,153 broadcast channels in China at the end of 2011, providing an extensive platform for advertising. According to Ipsos, in 2012, national TV channels (including CCTV and CETV) captured 27.9% of market share in terms of viewership in China while provincial satellite TV channels accounted for 31.9% of market share in terms of viewership. The following chart shows the market share of TV channels in terms of viewership in China in 2012:



Note: According to Ipsos, market share of CCTV accounts for over 99% of the viewership of national TV channels

Sources: Ipsos

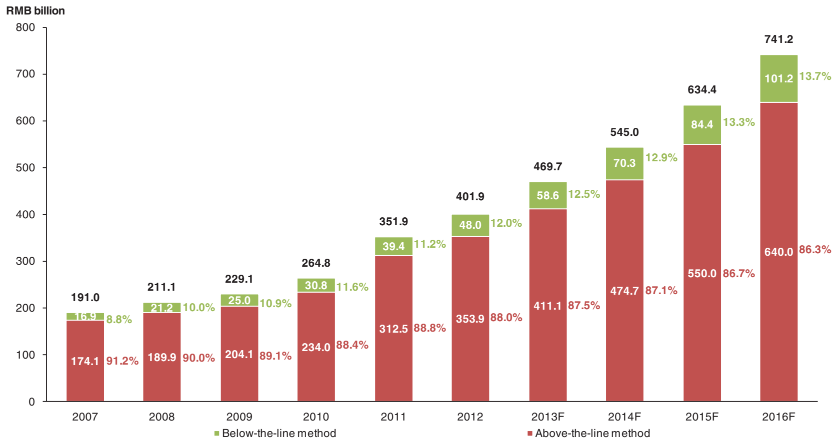
Digital media include the Internet and mobile devices. Increasing Internet penetration in China facilitates advertising through digital media channel. According to the China Internet Network Information Center, China's Internet population reached 512 million by the end of 2011, with a penetration rate of 38.3%. About 66.0% of the Internet population in China had Internet access through mobile devices. The rise in Internet and mobile devices users in China will provide more opportunities for marketing via new digital media channels.

Print media, which mainly include magazines and newspaper, have showed a decreasing demand in recent years. Given the fast growing trend of digital media in the near future, it is believed that the demand for marketing through print media will further diminish.

Below-the-line marketing methods

Below-the-line marketing methods can be categorized into marketing events, fairs, exhibitions and road shows. As brand owners have gradually placed more emphasis on the effectiveness of their marketing campaigns in reaching their target customers, below-the-line methods have been developed from a supplement to above-the-line advertising to a distinctive means of marketing service itself. According to Ipsos, the growth of the marketing expenditure on below-the-line methods had even outpaced the growth of TV advertisements from 2007 to 2012.

In 2012, the marketing expenditure allocated to above-the-line methods accounted for 88.0% of the total marketing expenditure in China and reached RMB353.9 billion while below-the-line methods accounted for 12.0% of the total marketing expenditure in China and reached RMB48.0 billion. It is expected that the marketing expenditure allocated to above-the-line methods will account for 86.3% of the total marketing expenditure in China with RMB640.0 billion and below-the-line methods will account for 13.7% of the total marketing expenditure in China with RMB101.2 billion in 2016. The following chart shows the allocation of the total marketing expenditure in China between above-the-line and below-the-line methods from 2007 to 2012, and the forecast from 2013 to 2016:



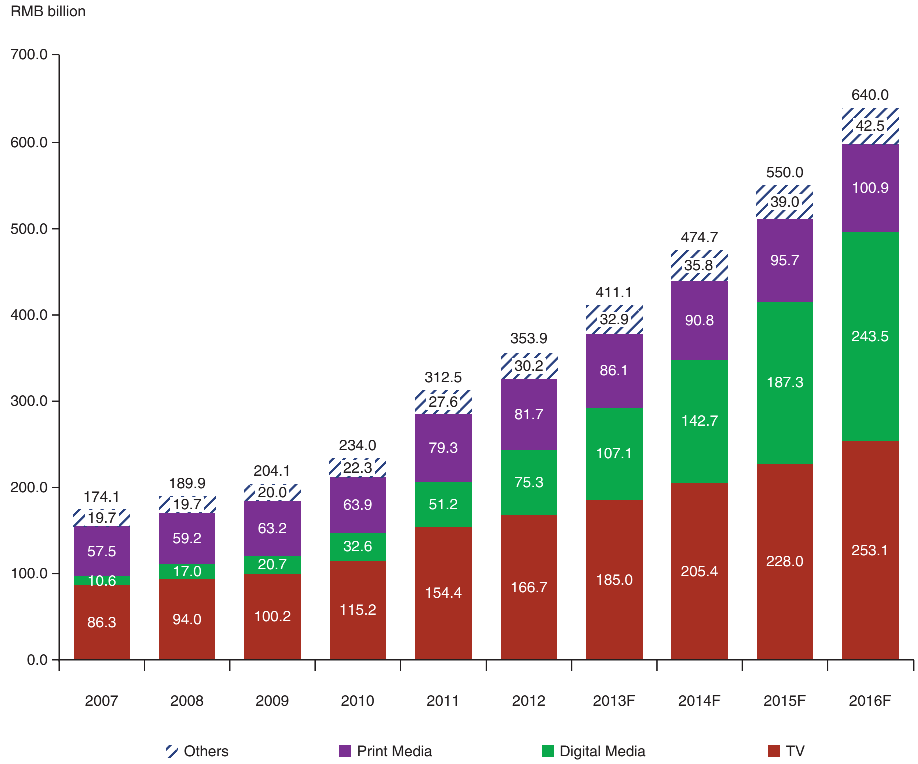
Sources: Ipsos interviews and analysis

Marketing expenditure by above-the-line advertising media

TV is the major channel for above-the-line advertising and accounted for 41.5% of total marketing expenditure in China in 2012. Digital media has grown rapidly and accounted for 18.7% of the total marketing communications expenditure in China in 2012.

From 2007 to 2012, marketing expenditure on TV channels increased at a CAGR of 14.1%, while that on digital media increased at a CAGR of 48.0%. Although Internet and mobile devices penetration in China is a driving force for digital media marketing communications and grew the fastest from 2007 to 2012 among all media channels, it is expected that TV will remain the dominant media channel through 2016 due to its credibility and brand influence.

From 2013 to 2016, marketing expenditure on TV channels is expected to increase at a CAGR of 11.0%, while that on digital media is expected to increase at a CAGR of 31.5%. The following chart shows the total marketing expenditure in China and its breakdown by different media channels from 2007 to 2012, and the forecast from 2013 to 2016:



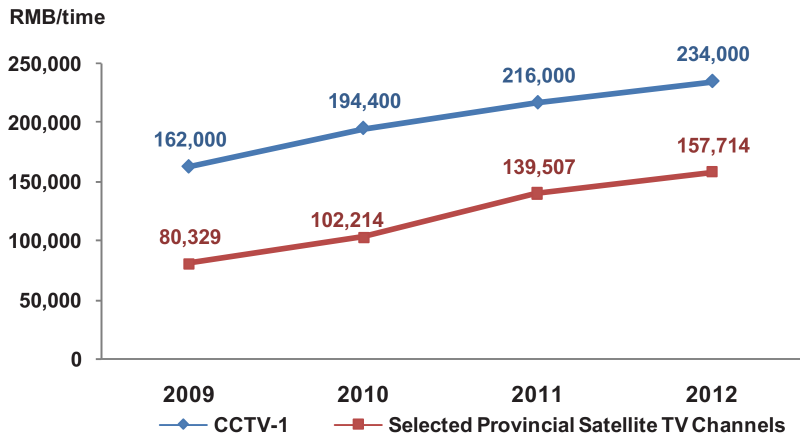
Sources: Ipsos interviews and analysis

Advertising rates on TV

The increase in demand for TV advertisement airtime in China has driven the growth of the advertising rates on TV. Moreover, the Administrative Measures for the Broadcasting of Radio and TV Advertisements (廣播電視廣告播出管理辦法) implemented in 2009 in China provide that the length of time for broadcasting commercial advertisements in a one-hour program of a broadcasting institution shall be no more than 12 minutes, and the total length of time for broadcasting commercial advertisements shall be no more than 18 minutes during the period from 11:00 to 13:00 of a radio station or from 19:00 to 21:00 of a TV station. Such limits have also contributed to the surge of advertising rates on TV. Furthermore, the implementation of the Supplementary Provisions on the Administrative Measures for the Broadcasting of Radio and Television Advertisements in 2011, which do not allow the insertion of any form of advertisements during the broadcasting of a 45-minute television drama, has further driven the increase in the advertising rates. From 2009 to 2012, the advertising rate on CCTV-1 grew from RMB162,000 to RMB234,000 for a 30-second commercial airtime at prime time, representing a CAGR of 13.0%.

The average advertising rates at prime time on selected provincial satellite TV channels in China have increased from 2009 to 2012. The average advertising rates for seven selected provincial satellite TV channels (Dragon TV (東方衛視), Hunan STV (湖南衛視), CCQTV (重慶衛視), SDTV (山東衛視), ZTV (浙江衛視), JSTV (江蘇衛視) and SZTV (深圳衛視)) have increased from RMB80,329 to RMB157,714 for a 30-second commercial airtime at prime time, representing a CAGR of 25.2%. These seven selected provincial satellite TV channels have accounted for 46.7% market share of all provincial satellite TV channels in China in terms of viewership in 2012.

The advertising rates for a 30-second commercial airtime at prime time on CCTV-1 is more expensive than the average advertising rates on selected provincial satellite TV channels from 2009 to 2012. The following chart shows the historical trend of advertising rates on CCTV-1 and average advertising rates on the seven selected provincial satellite TV channels for a 30-second commercial airtime at prime time from 2009 to 2012:



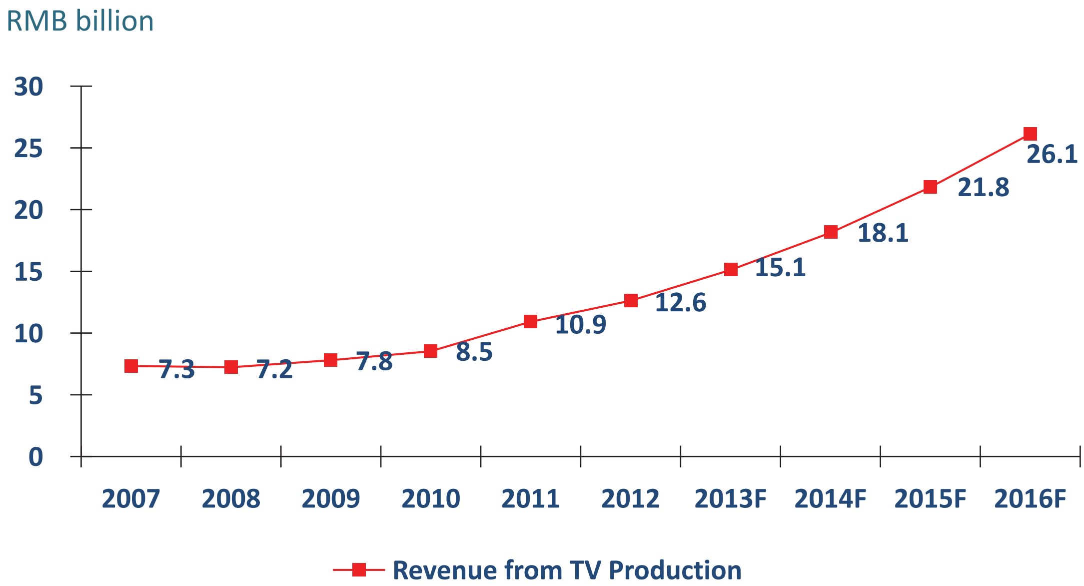
Note: Prime time for CCTV-1 and the seven selected provincial satellite TV channels are between 21:30-22:00

Sources: Ipsos based on CCTV and 中國媒體廣告刊例網

Revenue generated from TV program production and automobile-related TV program production

Revenue from TV program production increased from RMB7.3 billion in 2007 to RMB12.6 billion in 2012 at a CAGR of 11.4%, and is expected to grow at a CAGR of 20.0% from RMB15.1 billion in 2013 to RMB26.1 billion in 2016.

The following chart shows the total revenue generated from TV program production (excluding advertising/marketing expenditure by customers) in China from 2007 to 2012 and the forecast from 2013 to 2016:

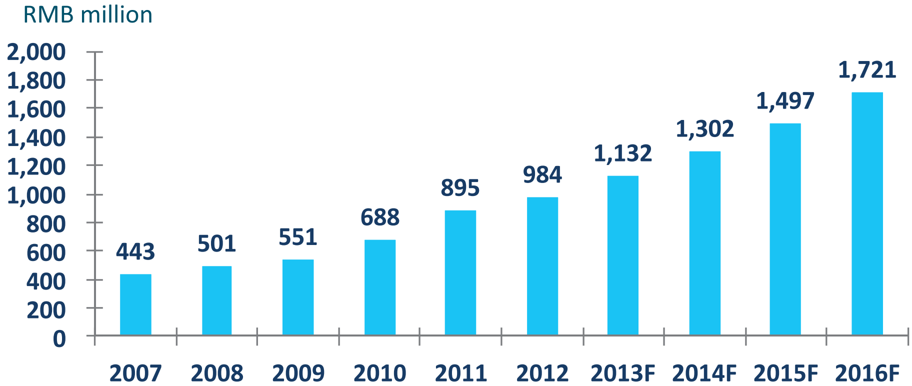


*Notes: Revenue includes production fees from TV broadcasting companies, royalty fees, copyright transaction fee (*版權交易額*) and advertising placement fees (*植入廣告費用*) etc.*

Sources: Ipsos interview and analysis

TV is an important above-the-line media method for automobile brand owners and manufacturers to promote their brands and launch new models of automobiles. As disposable income increases, lifestyle changes and automobile penetration rate grows in China, TV channels are motivated to rollout or distribute imported automobile-related TV programs to increase viewership rates and advertising revenue. Total revenue generated by automobile-related TV program production companies mainly includes production fees from TV broadcasting companies, advertising and marketing expenditure by brand owners and royalty fees. Revenue from automobile-related TV program production in China increased from RMB443.0 million in 2007 to RMB984.0 million in 2012 at a CAGR of 17.3%, and is expected to grow at a CAGR of 15.0% from RMB1,132.0 million in 2013 to RMB1,721.0 million in 2016.

The following chart shows the total revenue generated by automobile-related TV program production companies in China from 2007 to 2012 and the forecast from 2013 to 2016:



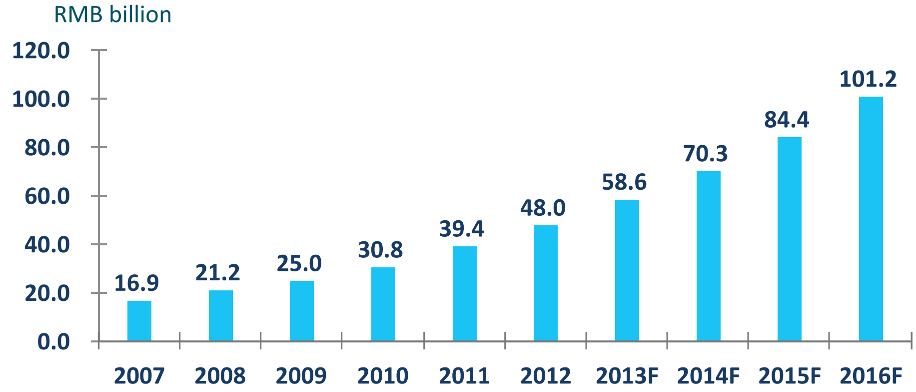
Notes: Revenue includes production fees from TV broadcasting companies, advertising/marketing expenditure by customers, royalty fees etc.

Sources: Ipsos interviews and analysis

Marketing expenditure by below-the-line methods

Events, fairs, exhibitions and road shows accounted for 12.0% of the total marketing expenditure in China in 2012. In particular, the growth of sport events organized in China is driving the growth of marketing expenditure through below-the-line methods. According to the General Administration of Sport of China Athletics Administrative Center and Federation of Automobile Sports, 25 marathons and 102 automobile & motorcycle sport events were organized in 2012. Sports events have served as an important marketing channel. For example, marketing expenditure on Beijing International Marathon increased from US$2.9 million in 2002 to over US$20.1 million in 2009.

Marketing expenditure on below-the-line methods in China increased from RMB16.9 billion in 2007 to RMB48.0 billion in 2012 at a CAGR of 23.2%, and is expected to grow at a CAGR of 20.0% from RMB58.6 billion in 2013 to RMB101.2 billion in 2016. The following chart shows the total below-the-line marketing expenditure in China from 2007 to 2012, and the forecast from 2013 to 2016:



Sources: Ipsos interviews and analysis

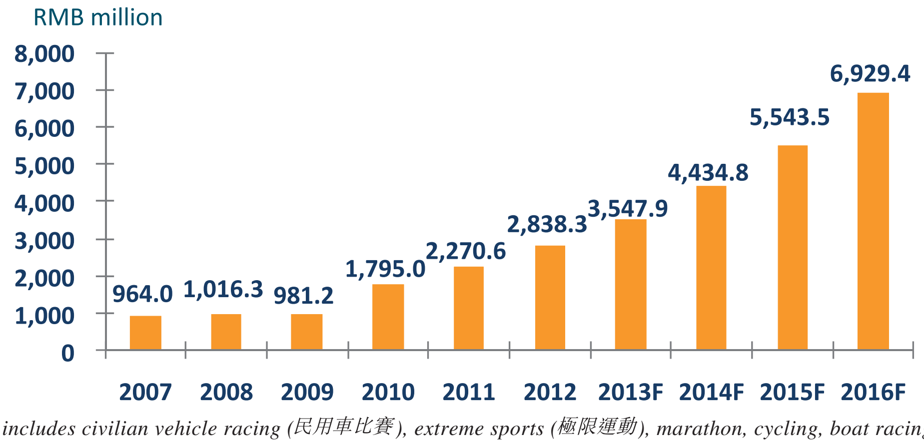
Revenue generated from organizing sports events

Event organization is a major below-the-line marketing method. In particular, revenues generated from organizing events of civilian vehicles racing, extreme sports, marathon, cycling and boat racing in China are rising. In particular, motor sports events are an effective advertising channel for automobile brand owners to demonstrate car performance in various aspects, such as speed, fuel consumption rate, safety, etc. In this regard, motor sports events effectively complements above-the-line marketing initiatives which focus on brand positioning and image. In addition to automobile manufacturers, manufacturers of tire, petroleum and automobile accessories also actively participated in motor sports events marketing.

With increasing public awareness of health and fitness, marathon has become another effective advertising channel in China through live broadcasting on TV. Large scale of audiences enable brand exposures which in turn raise the market value of marathons.

Revenue generated from civilian vehicle racing, extreme sports, marathon, cycling and boat racing in China increased from RMB964.0 million in 2007 to RMB2,838.3 million in 2012 at a CAGR of 24.1%. It is expected that revenue generated from organizing these sports events will grow at a CAGR of 25.0% from RMB3,547.9 million in 2013 to RMB6,929.4 million in 2016.

The following chart shows the total revenue generated from organizing civilian vehicle racing, extreme sports, marathon, cycling and boat racing in China from 2007 to 2012 and the forecast from 2013 to 2016:



Notes: Revenue includes civilian vehicle racing (民用車比賽), extreme sports (極限運動), marathon, cycling, boat racing

Sources: Ipsos interviews and analysis

COMPETITIVE LANDSCAPE OF MARKETING COMMUNICATIONS INDUSTRY

The marketing communications industry in China is highly fragmented and competitive with many service providers of different business mix, including marketing communications solution providers, public relations companies, exhibitors, digital marketing solution providers, etc. There were 297,000 marketing communications services providers in China at the end of 2011. To capitalize on the continuous growth of China's economy, brand owners need to deploy for cost-effective and value-maximizing marketing communications services. Marketing communications service providers that can serve different industries by providing different product types of services will be at an advantage.

According to Ipsos, we ranked first among automobile-related TV program production companies in China in terms of production hours of automobile-related TV programs in 2012.

The following table shows the top five automobile-related TV program production companies in China in terms of production hours of automobile-related TV programs in 2012:

Rank	Name of Company	Headquarter location	Automobile-related TV program production in 2012 (minutes)
1	北京智美傳媒股份有限公司 Beijing Zhimei Media Co., Ltd.	Beijing	3,985
2	上海蓋特威文化傳媒有限公司 Shanghai Gateway Media Co., Ltd.	Shanghai	2,780
3	上海天下汽車文化傳播有限公司 (Shanghai Total Auto Culture & Communication Co., Ltd.)	Shanghai	2,500
4	《車世界》共同傳媒 (Auto world Media Ltd.)	Shanghai	1,800
5	北京銳意興汽車文化傳播有限公司 (Beijing Ruiyixing Auto Culture & Communication Co., Ltd.)	Shanghai	930

Sources: Ipsos interviews and analysis

Factors of competition

Providing effective and cost-efficient services is the key for marketing communications service providers in China to attract and retain brand owners. Brand owners prefer those integrated marketing communications solution providers who can provide full range and cross-media services. Rich data resources, industry expertise, local market knowledge and understanding of evolving consumer preferences are also essential differentiating factors. Marketing communications solutions providers are actively expanding their broadcasting networks, media resources, supplier base, human resources and information system to enhance their management and execution capability. They also constantly utilize different media channels such as TV, print media, digital media and events marketing as tools for brand promotion. Hence, multiplatform capabilities and good relationship with different media vendors are essential.

Entry barriers

The marketing communications industry is a talent-intensive industry. Experienced talents who are familiar with different aspects of marketing services and those who understand the client-side business and domestic consumer behavior are in need.

It is difficult to develop a long-term strategic partnership with sizeable clients, who have high requirements on choosing marketing communications solutions providers in respect of service network, knowledge of local market, operation system efficiency, industry experience, track record, firm reputation and overall service standard. It is difficult for average marketing communications service providers to meet these requirements and develop a long-term partnership with sizeable clients.

Requirement of strong cash-flow is another entry barrier for potential new entrants in marketing communications industry. Dominant TV channels may require significant prepayment for bulk-purchase of advertising time slots, hence advertising agencies with insufficient capital are disadvantaged. Moreover, large-scale marketing communications solutions providers with adequate capital can invest in advertisement planning, purchasing media database and market research to enhance the effectiveness of their marketing solutions.

TV program production is a highly-regulated industry in China. Before companies can engage in the business of the production and operation of radio and TV programs, they have to obtain the License to Produce and Distribute Radio or TV Programs from the Chinese government. To apply for this license, market players need to have well-established production capabilities and fulfill the criteria of (i) being an independent legal entity, and have name, organizations, and articles of association in compliance with the provisions of the laws and regulations of the PRC; (ii) having professional staff, capital, and workplace necessary for the operation of the business of the production and operation of radio and TV programs, and having a registered capital of no less than RMB3 million; (iii) having no record of license suspension or record of punishment of the legal representative within 3 years prior to the application; (iv) meeting other requirements by the laws and regulations.

Sports competitions and events organization requires networks, industry knowledge and experience. Companies need to maintain a good relationship with different sports organizations and local governments in order to coordinate the sports competitions and events smoothly. New entrants with insufficient network and experience would find it difficult to obtain the required government approvals and support from different sports organizations.

Opportunities

The blooming economy and increasing marketing expenditure of companies in different industries have provided favorable market conditions to the development of marketing communications industry. Moreover, the PRC government's initiatives in integrating the telecommunications networks, Internet and broadcasting networks will also accelerate the development of marketing communications industry. In particular, TV stations are no longer confined to broadcasting their own in-house productions but start to introduce more high quality and appealing programs from external production houses. In recent years, entertainment programs including some reality shows have been well received by the general public in China. These programs not only generated decent royalty income for the producers, but also substantially increased the rates of advertising airtime in between parts of the show. This creates good opportunities for program producers which also provide marketing communications services.

For automobile-related marketing communications industry in China, since China is the world's largest automobile market with much lower penetration rate than other developed countries, automobile brands compete fiercely for market share and give rise to opportunities for marketing communications firms. The earliest markets of passenger vehicles in China were developed in 2001 and were mainly located in Beijing, Yangtze River Delta, Pearl River Delta and other developed regions in the coastal areas. In particular, Beijing, Shanghai and Guangzhou are major passenger vehicle markets. As these markets are getting mature and well developed with high automobile penetration rate, automobile enterprises may target in-land cities with relatively higher growth potential and devote marketing resources to develop brand awareness, which creates opportunities for marketing communications service providers with in-land presence and pragmatic experience.

This section sets forth a summary of the most significant PRC laws and regulations that affect our business and the industry in which we operate.

Laws and Regulations in relation to Foreign Invested Enterprises

On February 11, 2002, the State Council issued the Provisions on Guiding the Directions of Foreign Investment (《指導外商投資方向規定》), dividing foreign investments projects into four categories: encouraged, permitted, restricted and prohibited. Details as to the encouraged, restricted and prohibited categories are provided in the Guiding Catalog of Foreign Investment Industries (Amended in 2011) (《外商投資產業指導目錄》(2011 年修訂)), which was jointly issued by the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) (the "NDRC") and the Ministry of Commence of the PRC (中華人民共和國商務部) (the "MOFCOM") on December 24, 2011. The Guiding Catalog became effective since January 30, 2012. Foreign investment projects that are not specifically provided in the Guiding Catalog are classified as permitted category.

Under the Guiding Catalog, the following business activities that we are engaged in or are associated with are classified as "encouraged" category:

- the operation and promotion of sports competitions and other sports events

The following business activities are classified as "restricted" category:

- the production of TV programs (limited to Chinese-foreign contractual joint ventures)

Our other business activities fall into the "permitted" category.

As for the approval of projects, the NDRC has promulgated two regulations: the Provisional Measures on the Administration of the Approval of Foreign Invested Projects (《外商投資項目核准暫行管理辦法》) on October 9, 2004, and the Notice of the NDRC on Delegating Powers on Approval of Foreign Investment Projects to Authorities at Lower Levels (《國家發展改革委關於做好外商投資項目下放核准權限工作的通知》) on May 4, 2010. Abiding by them, projects with total investment no less than US$100 million that are within the encouraged or permitted categories of foreign investment, or projects with total investment no less than US$50 million that are within the restricted category of foreign investment must be subject to the approval by the NDRC, with the rest subject to the approval by the local branches of the NDRC. Specifically, the encouraged and permitted foreign invested projects with total investment below US$100 million must be subject to the approval by the local branches of the NDRC, unless approval of relevant department of the State Council is required under the Catalog of Investment Projects Approved by Government (《政府核准的投資項目目錄》).

Laws and Regulations in relation to Foreign Exchange

Foreign Currency Exchange

Pursuant to the Foreign Currency Administration Rules of the PRC (《中華人民共和國外匯管理條例》) promulgated in 1996 and amended in 1997 and 2008 by the State Council and various regulations issued by the SAFE and other relevant PRC government authorities, payments for transactions that take place within the PRC must be made in Renminbi. The Renminbi is freely convertible only to the extent of current account items based on true and valid transactions, such as trade-related receipts and payments, interest and dividends. Capital account items, such as direct equity investments, loans and repatriation of investments, require the prior approval from, or registration with, the SAFE or its local counterpart. If required by the relevant state provisions, a domestic institution that issues negotiable securities overseas must first get the approval of, or archive the issue with, the competent department before handling the registration formalities.

Circular 75

The SAFE promulgated the SAFE Circular No. 75 (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) on October 21, 2005, ruling:

- A PRC resident shall register with the local branch or department of the SAFE before establishing or controlling an overseas special purpose company (companies for the purposes of overseas equity financing including convertible debt financing), or the SPC;
- When the PRC resident contributes the assets or stock rights of a domestic enterprise it owns into a SPC, or engages in stock right financing abroad after contributing assets or stock rights into a SPC, such PRC resident shall register its net asset equities in the SPC and the variations thereof with the local branch of the SAFE;
- After a SPC accomplishes overseas financing, the PRC resident may, according to the plan on use of funds as stated in the letter of commercial plans or the document, transfer the funds which ought to be arranged for use inside PRC into PRC; and
- When a SPC undergoes a material event outside of PRC, such as change in share capital or capital increase or decrease, the PRC resident shall register or archive such change with the local branch of the SAFE within 30 days from the occurrence of the major event.

Under SAFE Circular No. 75 and relevant SAFE rules, failure to comply with the registration procedures set forth above may result in restrictions on a PRC subsidiary's foreign exchange activities and its ability to distribute dividends to the SPC, and penalties on the PRC residents and/or the PRC subsidiary of the SPC.

Dividend Distribution

The principal regulations governing distribution of dividends of foreign holding companies include the "Company Law of the PRC" (《中華人民共和國公司法》) promulgated by the National People's Congress Standing Committee in 1993 and amended in 1999, 2004 and 2005, the "Foreign Investment Enterprise Law of the PRC" (《中華人民共和國外資企業法》) promulgated by the National People's Congress Standing Committee in 1986 and amended in 2000, and the "Administrative Rules under the Foreign Investment Enterprise Law" (《中華人民共和國外資企業法實施細則》) promulgated by the State Council in 1990 and amended in 2001.

Under these laws and regulations, foreign investment enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, wholly-foreign-owned enterprises in China, like our PRC Subsidiary, are required to allocate at least 10% of their respective accumulated profits after tax each year, if any, to fund certain reserve funds unless these accumulated reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends.

MOFCOM Security Review Rules

In August 25, 2011, the MOFCOM promulgated the Implementation Rules of MOFCOM on the Security Review Rules regarding Merger of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》) ("MOFCOM Security Review Rules") which became effective on September 1, 2011.

Under the MOFCOM Security Review Rules, a national security review is required for certain mergers and acquisitions by foreign investors raising concerns about national defense and security. In addition, when deciding whether a specific merger or acquisition of a domestic enterprise by foreign investors is subject to the national security review, the MOFCOM will assess the substance and actual impact of the transaction. The MOFCOM Security Review Rules further prohibit foreign investors from circumventing the national security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions.

Laws and Regulations in relation to Property

The properties which we lease and own in the PRC are subject to the Property Law (《中華人民共和國物權法》), promulgated by the Standing Committee of the National People's Congress on March 16, 2007 and became effective on October 1, 2007. Under the Property Law, any creation, modification, transfer or termination of property rights shall become effective upon registration with the relevant government authorities. All lawful property of the State, collectives, and individuals are protected by law against embezzlement and encroachment. The Property Law also contains specific provisions relating to land contractual operation rights, construction land use rights, residential land use rights, easement rights and various security rights.

Under the Urban Real Estate Law (《中華人民共和國城市房地產管理法》) promulgated by the Standing Committee of the National People's Congress on July 5, 1994 which became effective on January 1, 1995 and as amended on August 30, 2007 and the Measures for Administration of Leases of Commodity Properties (《商品房屋租賃管理辦法》) promulgated by the Ministry of Construction on December 1, 2010 and became effective on February 1, 2011, parties to a building lease should enter into a written lease contract and register the lease with the relevant real estate administration authority. Whenever a lease is signed, amended, extended or terminated, the parties are required to register the details with the relevant real estate administration authority. Parties will be subject to fines if they fail to register the details even after being ordered by the relevant authorities.

The Land Administration Law (《中華人民共和國土地管理法》) promulgated by the Standing Committee of the National People's Congress on June 25, 1986 which became effective on January 1, 1987 and amended on December 29, 1988 and August 28, 2004, provides that a Land Use Certificate of State-Owned Land must be obtained from the land administrative department prior to usage of collectively-owned land. Violation of the Land Administration Law may result in the imposition of fines and confiscation of the land involved.

Laws and Regulations in relation to Tax

Enterprise Income Tax

Under the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), or the EIT Law, which became effective on January 1, 2008, the ordinary income tax rate for all PRC resident enterprises, including foreign-invested enterprises, is 25%. There was a transitional period for enterprises that previously received preferential tax treatments granted by relevant tax authorities. Enterprises that were subject to an enterprise income tax rate lower than 25% continued to enjoy the lower rate and gradually transitioned to the new tax rate within five years after implementation of the EIT Law.

Under the EIT Law, enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises," and are generally subjected to the uniform 25% enterprise income tax rate as to their global income. It is currently unclear under what situations an enterprise's "de facto management body" would be considered to be located in China. Substantially all of our management is currently based in China. Therefore, we may be treated as a Chinese resident enterprise for enterprise income tax purposes.

Tax Collection for Share Transfer by Non-PRC Resident Enterprises

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) or SAT Circular 698, issued by the State Administration of Taxation on December 10, 2009 with retroactive effect from January 1, 2008, except for the purchase and sale of equity through a public securities market, where a foreign investor transfers its indirect equity interest in a PRC resident enterprise by disposing of its equity interests in an overseas holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the foreign investor shall report to the competent tax authority of the PRC resident enterprise this Indirect Transfer. If the tax authority, upon examining the nature of the Indirect Transfer, deems that the Indirect Transfer has no reasonable commercial purpose other than to avoid PRC tax, the tax authority may disregard the existence of the overseas holding company that is used for tax planning purposes and re-characterize the Indirect Transfer.

Business Tax

Pursuant to the Provisional Regulations of the PRC on Business Tax issued by the State Council (《中華人民共和國營業稅暫行條例》) and the implementation rules thereunder, a business tax is levied on all units and individuals engaged in taxable services, the transfer of intangible assets or the sale of immovable properties within the territory of the PRC. The tax rates range from 3% to 20% depending on the type of services provided.

VAT Tax

Pursuant to the Interim Regulation on the Value Added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on December 13, 1993 and amended on November 10, 2008 ("VAT Regulation"), and its implementation rules, any entity or individual engaged in the sale of goods, the provision of specified services or the importation of goods in China is generally required to pay VAT on the added value derived during the process of manufacture, sale or service provided. Unless stated otherwise, for VAT payers who are selling or importing goods, and providing processing, repairs and replacement services in the PRC, the tax rate shall be 17%.

Dividends paid by the Company to our foreign investors and the gain on the sale of our Shares

The EIT Law provides that an income tax rate of 20% will normally be applicable to dividends payable to investors that are "non-resident enterprises," to the extent such dividends have their source within the PRC. The applicable tax rate has been reduced by the State Council to 10%. If we are considered a PRC "resident enterprise," it is unclear whether the dividends we pay with respect to our Shares would be treated as income derived within the PRC and be subject to PRC tax. Similarly, under the EIT Law and Implementation Regulations issued by the State Council, any gain on the transfer of equity interests is subject to a 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. PRC tax at a 20% rate may apply to dividends paid to and any gain realized by non-resident individual shareholders. If we are considered a PRC "resident enterprise," it is unclear whether any gain realized from the transfer of our Shares by investors would be treated as income derived from a source within PRC and be subject to PRC tax.

Laws and Regulations in relation to Advertising Services

Governance of the advertising industry

Pursuant to Advertising Law of the PRC (《中華人民共和國廣告法》) adopted in the 10th meeting of the Standing Committee of the 8th National People's Congress of the People's Republic of China on

October 27, 1994 and became effective on February 1, 1995, the term "advertisers" refers to any legal persons, economic organizations or individuals that, directly or through certain agents, design, produce and publish advertisements for the purpose of promoting products or providing services. The term "advertisement operators" refers to those legal persons, economic organizations or individuals that are being consigned to provide advertisement content design, production and agency services. The term "advertisement publishers" refers to those legal persons or other economic organizations that publish advertisements for the advertisers or for those advertisement operators which are consigned by the advertisers. Advertisements shall not contain any false contents or misrepresent to or mislead the consumers. An advertisement should present distinct and clear specifications on the product's function, place of origin, uses, quality, price, manufacturer, validity period, promises or the contents, forms, quality, price or promises of the services offered. The contents of advertisements for food, wine and cosmetics should comply with the requirements set by the health department and the use of medical terms or terms that are confusingly similar with medications is prohibited. The contents of advertisements for medications should be based on the instructions approved by the State Council or provincial public health administrative department. It is prohibited to advertise tobacco through media broadcast, films, television, newspaper or periodicals and no advertising is allowed for special drugs such as anaesthetics, psychotropic drugs, toxic drugs or radioactive drugs.

According to the Advertising Law of the PRC, data, statistics, survey results, excerpts or quotations addressed in an advertisement should be true and accurate, with the sources clearly indicated. For acts of publishing false advertisements to deceive or mislead consumers, thus causing damages to the lawful rights and interests of consumers who have bought the commodities or accepted the services, the advertisers shall bear civil responsibility and advertising agents and publishers who knew or should have known the falseness of the advertisements shall bear joint and several responsibility if they have participated in designing, producing or publishing the advertisements.

According to the Advertising Law of the PRC, it is prohibited to advertise with any patent application that has not been granted, or with any patent that has been terminated, cancelled or invalidated. Advertisers, advertising agents or advertisement publishers shall bear civil responsibility if they infringe on and use other's patent rights, or use the names or images of others without prior consent.

Pursuant to Regulation on the Administration of Advertising (《廣告管理條例》) promulgated by the State Council on October 26, 1987 and became effective on December 1, 1987 and《Detailed Rules for the Implementation of the Regulation on the Administration of Advertising》 (《廣告管理條例施行細則》) promulgated and amended by State Administration for Industry and Commerce (中華人民共和國國家工商行政管理總局) (the "SAIC") which took effect on January 1, 2005, advertisement operators shall handle the registration according to the following procedures for enterprises engaging in the operation of advertising business, application for registration shall be made at the competent administration for industry and commerce and obtain the business license.

Pursuant to Notice Concerning the Certain Matters Regarding the Renewal of Advertising Business License (《關於換發〈廣告經營許可證〉有關問題的通知》) promulgated by the SAIC on December 10, 2004 and took effect on the same date, according to the provisions under Clause 2 of the Measures for the Administration of Advertising Business Licenses (《廣告經營許可證管理辦法》), radio stations, television stations, periodicals publishing entities, and other entities that are required to apply for the examination and approval in registering the operation of advertising business pursuant to other laws and administrative regulations shall renew their Advertising Business Licenses (《廣告經營許可證》). Other entities engaging in advertising operation business shall not renew their Advertising Business Licenses.

Policies governing the investment in the businesses of advertising by foreign investors

Pursuant to the Provisions on the Administration of Foreign-Funded Advertising Enterprises (《外商投資廣告企業管理規定》) jointly promulgated by the SAIC and the MOFCOM on September 22, 2008 which took effect on October 1, 2008, the establishment of advertising enterprises by investors from Hong

Kong, Macau and Taiwan in the Mainland shall follow the relevant provisions accordingly. For a foreign investor to establish an foreign-funded advertising enterprise, the following procedures should be followed: (1) the foreign investor shall apply to the SAIC or its authorized administration for industry and commerce at the provincial level and obtain the opinion on the examination and approval of foreign-invested advertising enterprise project issued by the SAIC or its authorized administration for industry and commerce at the provincial level; (2) the foreign investor shall apply to the Administrative Department for Commerce at the provincial level at the locality in which it intends to establish the enterprise, and obtain the Foreign-Invested Enterprise Approval Certificate issued by the Administrative Department for Commerce at the provincial level after examination and approval; and (3) the foreign investor shall follow the enterprise registration procedures of the SAIC or its authorized administration for industry and commerce competent at the local level for examining and approving the registration. In addition to compliance with the conditions required under relevant laws and regulations, the establishment of advertising enterprises is also required to satisfy the following conditions: (1) the investor should be an enterprise that is principally engaged in advertising business; and (2) the investor should have been set up and operating for more than three years.

Pursuant to the Several Opinions on Further Improving the services provided for the Development of Foreign Invested Enterprises by Fully Carrying out the Functions of Administration of Industry and Commerce (《關於充分發揮工商行政管理職能作用進一步做好服務外商投資企業發展工作的若干意見》) issued by the SAIC on May 7, 2010, which took effect on the same date, any provincial administration for industry and commerce shall be authorized to examine and approve projects on foreign-funded advertising enterprises, perfect approval requirement, set up filing system, and implement formatted examination and approval. Pursuant to the Notice of Authorizing the Administrations for Industry and Commerce of Provinces, Municipalities and Autonomous Regions to Conduct the Examination and Approval of Foreign-funded Advertising Enterprises (《關於授權省、自治區、直轄市工商行政管理局進行外商投資廣告企業項目審批工作的通知》), the SAIC authorizes the administrations of each provinces, municipalities and autonomous regions to conduct the examination and approval of the applications for the projects of foreign-funded advertising enterprises. The MOFCOM issued the Notice of the MOFCOM on Decentralizing the Examination and Approval Power for Foreign Investment (《關於下放外商投資審批權限有關問題的通知》) on June 10, 2010, which requires that in addition to those matters to be approved by the MOFCOM which has been set out under relevant laws and regulations, the establishment of foreign-funded enterprises related to the service sector and its changes (including the above of limit amount and the capital increase) should be approved and managed by the local approving authority. It also reaffirms and further clarifies the scope of approval applicable to the competent provincial commerce department for foreign-funded enterprises.

Pursuant to the Tentative Provisions on Investment within China by Foreign Investment Enterprises (《關於外商投資企業境內投資的暫行規定》) promulgated by the Ministry of Foreign Trade and Economic Cooperation and the SAIC on July 25, 2000 and effective as of September 1, 2000, investment within the PRC by foreign investment enterprises shall comply with State laws and regulations. Investment within the PRC by foreign investment enterprises shall be handled in accordance with the Directing of Foreign Investment Tentative Provisions and Foreign Investment Industrial Guidance Catalog. Foreign investment enterprises may not invest in fields in which foreign investment is prohibited.

To invest in and establish a company in the encouraged or permitted category, a foreign investment enterprise shall submit an application and the materials set forth below to the company registration authority of the place where the invested company is to be located:

1. the unanimously adopted resolution of the foreign investment enterprise's board of directors concerning the investment;

2. the foreign investment enterprise's approval certificate and business licence (photocopies);

3. the capital contribution verification report issued by a statutory capital contribution verification institution attesting to the fact that the registered capital has been fully paid in;

4. the foreign investment enterprise's audited balance sheet;

5. documentation proving that the foreign investment enterprise has paid income tax or that it has had its income tax reduced or exempted; and

6. other materials specified in laws, regulations or rules.

To invest in and establish a company in the restricted category, a foreign investment enterprise shall submit an application and the materials to the provincial level authority for foreign trade and economic cooperation of the place where the invested company is to be located.

Laws and Regulations in relation to Sports Competitions and other Sports Events

In this respect, the principal regulations include:

Pursuant to the Law of the People's Republic of China on Physical Culture and Sports (《中華人民共和國體育法》) promulgated by the Standing Committee of the NPC on August 29, 1995 and amended on August 27, 2009, The administrative department for physical culture and sports under the State Council shall be in charge of the work of physical culture and sports throughout the country. Other relevant departments under the State Council shall administer the work of physical culture and sports within their respective functions and powers. The administrative departments for physical culture and sports of the local people's governments at or above the county level or the organs authorized by the people's governments at the corresponding levels shall be in charge of the work of physical culture and sports within their administrative areas.

The State practices classified administration of sports competitions at different levels. Comprehensive national games shall be administered by the administrative department for physical culture and sports under the State Council or by the administrative department for physical culture and sports under the State Council in conjunction with other relevant organizations. National competition of an individual sport shall be administered by the national association of the said sport. Measures for the administration of local comprehensive sports games and local individual sports competitions shall be formulated by the local people's governments.

The principle of fair competition shall be followed in sports competitions. Organizers of competitions, athletes, coaches and referees shall abide by sportsmanship, and may not practice fraud or engage in malpractice for selfish ends. Use of banned drugs and methods is strictly prohibited in sports activities. Institutions in charge of testing banned drugs shall conduct strict examination of the banned drugs and methods. It is strictly forbidden for any organization or individual to engage in gambling activities through sports competitions.

According to the "Guiding Opinions of the General Office of the State Council on Accelerating the Development of Sports Industry" (《國務院辦公廳關於加快發展體育產業的指導意見》), the government's current key tasks in respect of sports are as follows:

- Vigorously developing the sports and fitness market;
- Developing the sports competitions and sports events market;
- Actively cultivating the sports agent market;
- Expanding and strengthening the sports goods industry;
- Vigorously promoting the trade of sports services;
- Promoting the interactive development of the sports industry and other relevant industries.

At the same time, the government intends to actively promote the healthy development of the sports industry through several specific measures, including increasing investment and financing support, improving the preferential tax policy, strengthening the construction and management of public sports facilities, supporting and standardizing the development of professional sports, enhancing the development and protection of the intangible assets of sports, accelerating the legalization and standardization process of the sports market, and expediting the cultivation of management talents of the sports industry.

According to the "Management Measures of the National Sports Competitions (Trial)" (《全國體育競賽管理辦法（試行）》), the Measures apply to any international or national sports games, individual sports competitions and sports performances at all levels and of all categories held within the PRC, approved by the sports administration department of the State Council and the sports administration departments of the local governments at the county level or above.

Sports events shall be determined by the sports administration department of the State Council. In order to launch a new sports event, it shall report to the sports administration department of the State Council, after the rules, procedures and plans of the event are examined and determined, the local sports administration departments may approve to hold all levels of sports competition of the event. The sports administration department of the State Council supervises national sports events. The sports administration departments of the local governments at the county level or above supervise sports events within their administrative regions.

Holding sports competitions is subject to examination and approval. National and international sports competitions held within the PRC require approval from the sports administration department of the State Council; the local sports competitions require approval from the local governments at the county level or above shall be responsible for the examination and approval of. At the end of each year, the sports administration department of the State Council and the sports administration departments of the local governments at the county level or above approve and plan the sports competitions of the next year, which will be managed, organized and implemented by the individual sports associations at all levels or the organizations authorized by the competent authorities.

Laws and Regulations in relation to the Operation and Production of TV Programs

Pursuant to the Regulations on Broadcasting and Television Administration (《廣播電視管理條例》) promulgated by the State Council on August 11, 1997 and became effective on September 1, 1997, these regulations shall be applicable to such activities as the establishment of broadcasting stations and television stations and gathering and editing, making, broadcasting and transmitting broadcasting and TV programs within the territory of the People's Republic of China.

The department of broadcasting and television administration under the State Council shall be responsible for broadcasting and television administration across the country. The departments or agencies in charge of broadcasting and television administration of local people's governments at or above the county level shall be responsible for broadcasting and television administration within their respective administrative areas.

Broadcasting and TV programs shall be made by broadcasting stations, television stations and broadcasting and TV programs production and marketing units the establishment of which has been approved by the departments of broadcasting and television administration of people's governments at or above the provincial level. No broadcasting station or television station shall broadcast broadcasting and TV program produced by units without the acquisition of licenses for broadcasting and TV program production and marketing.

According to the "Provisions for the Administration of the Production and Distribution of Radio and TV Programs" (《廣播電視節目製作經營管理規定》), the State Administration of Radio, Film and Television (the "SARFT") is responsible for formulating development plans, arrangement and structure of the industry of national radio and TV programs production and for managing, guiding and supervising production and distribution activities of national radio and TV programs. Local radio, film and television administrative departments above the county level are responsible for the administration of the production and distribution activities of radio and TV programs within their administrative regions.

The state adopts a licensing system regarding the establishment of the institutions that produce and distribute radio and TV programs and engaging in production and distribution of radio and TV programs. License to Produce and Distribute Radio or TV Programs (the "License") shall be obtained for establishing institutions that produce and distribute radio and TV programs or engaging in production and distribution of radio and TV programs. As advised by our PRC legal advisers, pursuant to current PRC laws, the License to Produce and Distribute Radio or TV Programs is the only permit required for the production and operation of radio and TV programs, and the Group has met all the requirements to be eligible to apply for this license.

Work units at the central government level and organizations directly subordinate to them shall apply to SARFT for the License; other institutions, if they apply for the License, shall apply to the local radio, film and television administrative authority in the place they located, after being approved by each level, report to radio, film and television administrative departments on provincial level for approval. The examination and approval authority shall decide on whether or not to approve the application within 20 working days after it received the complete application materials. The examination and approval authority shall issue the License to applicants who satisfy the requirements of Article 6 and Article 7 of these Provisions. The examination and approval authority shall explain its reasons for disapproval to applicants in written. Radio, film and television administrative departments on provincial level shall submit the examination and approval information to SARFT for filing within a week as of the date on which they render the approval or disapproval decision. The License shall be uniformly printed by SARFT. Its validity period is two years. Enterprises which have obtained the License shall go through registration or business scope extension procedures with the administration of industrial and commercial.

According to the Administrative Measures for the Broadcasting of Radio and TV Advertisements (《廣播電視廣告播出管理辦法》), the length of broadcasting commercial advertisements in a one-hour program of a broadcasting institution shall be no more than 12 minutes. The total length for broadcasting commercial advertisements shall be no more than 18 minutes during the period from 11:00 to 13:00 on radio channels or from 19:00 to 21:00 on TV channels. The time for broadcasting commercial advertisements may be postponed accordingly under special circumstances.

According to the Supplementary Provisions on the Administrative Measures for the Broadcasting of Radio and Television Advertisements (2011) (《廣播電視廣告播出管理辦法》的補充規定), it is not allowed to insert any form of advertisements during the broadcast of a 45 minute television drama.

Laws and Regulations in relation to Intellectual Property

International conventions

China is a party to several international conventions on intellectual property rights, including the Agreement on Trade-Related Aspects of Intellectual Property Rights, upon its accession to the World Trade Organization in December 2001. China is also a party to the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, the World Intellectual Property Organization Copyright Treaty, the Madrid Agreement concerning the International Registration of Marks, and the Patent Cooperation Treaty.

Trademarks

The PRC Trademark Law (《中華人民共和國商標法》) was promulgated by the Standing Committee of the National People's Congress on August 23, 1982 which became effective on March 1, 1983 and amended on February 22, 1993 and October 27, 2001. Under the Trademark Law, any of the following acts shall be an infringement upon the right to exclusive use of a registered trademark:

1. using a trademark which is identical with or similar to the registered trademark on the same kind of commodities or similar commodities without a license from the registrant of that trademark;
2. selling the commodities that infringe upon the right to exclusive use of a registered trademark;
3. forging, manufacturing without authorization the marks of a registered trademark of others, or selling the marks of a registered trademark forged or manufactured without authorization;
4. changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of that trademark; and
5. causing other damage to the right to exclusive use of a registered trademark of another person.

A trademark registrant may conclude a licensing contract authorizing use of its registered trademark by another person. Under the Trademark Law, the licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities.

Violation of the Trademark Law may result in the imposition of fines, confiscation and destruction of the infringing commodities.

The Provisions on Recognition and Protection of Well-known Trademarks (《馳名商標認定和保護規定》) promulgated by the SAIC on April 17, 2003 which became effective on June 1, 2003, protect well-known trademarks, which are recognized on a case-by-case basis by the Trademark Review and Adjudication Board of the SAIC, the Trademark Office, or the PRC courts.

Domain names

On November 5, 2004, the MIIT promulgated the Measures for Administration of Domain Names for the Chinese Internet, or Domain Name Measures (《中國互聯網絡域名管理辦法》). The Domain Name Measures regulate the registration of domain names, such as the first tier domain name ".cn". In February 2006, CNNIC issued the Measures on Domain Name Disputes Resolution (《中國互聯網絡信息中心域名爭議解決辦法》) and its implementing rules, pursuant to which CNNIC can authorize a domain name dispute resolution institution to decide disputes.

Laws and Regulations in relation to Labor Relationship and Social Security

Pursuant to the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) promulgated by the Standing Committee of the NPC on July 5, 1994 which went into force on January 1, 1995, the employer shall pay laborers wages no lower than local standards on minimum wages. In addition, the employer shall abide by the rules on working hours, rests, and leaves.

In accordance with the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) promulgated by the Standing Committee of the NPC on June 29, 2007 which became effective from January 1, 2008 and the Regulation on the Implementation of the Employment Contract Law of the People's Republic of China (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council which went into force on September 18, 2008, an employer establishes an employment relationship with an employee from the date when the employer puts the employee to work, and a written labor contract shall be concluded then. Employers shall also keep abiding by the law on issues including fulfillment, change or termination of the contract, etc.

Pursuant to the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) promulgated by the Standing Committee of the NPC on October 28, 2010 which took effect on July 1, 2011 and other implementing regulations including the Interim Regulations Concerning the Levy of Social Insurance Fees (《社會保險費征繳暫行條例》) implemented from January 22, 1999 and the Interim Measures Concerning the Administration of the Registration of Social Insurance (《社會保險登記管理暫行辦法》) which became effective since March 19, 1999, employers in the PRC should register social insurance with the local social insurance authorities, and pay basic pension insurance, basic medical insurance, occupational injury insurance, unemployment insurance and maternity insurance fees for their employees.

Under the Regulation on Work-Related Injury Insurance (《工傷保險條例》), which took effect from January 1, 2004 and got amended on December 20, 2010, employers should pay occupational injury insurance fees for their employees.

In accordance with the Regulation on Unemployment Insurance (《失業保險條例》) promulgated by the State Council and went into force on January 22, 1999, enterprises and institutions in cities and towns shall pay unemployment insurance premium at a rate of 2% on the basis of the total amount of salaries. Staff and workers in enterprises and institutions in cities and towns shall pay unemployment insurance premium at a rate of 1% on the basis of their own salaries.

Pursuant to the Interim Measures Concerning the Maternity Insurance of Enterprises Employees (《企業職工生育保險試行辦法》) with effect from January 1, 1995, employers should pay maternity insurance fees for their employees.

According to the Regulation Concerning the Administration of Housing Fund (《住房公積金管理條例》), which got implemented since April 3, 1999 and amended on March 24, 2002, employers in the PRC must register with the housing fund management centre. Employers will then need to open housing fund accounts with entrusted banks for their employees and contribute to the fund at a rate of not less than 5% of the employee's average monthly salary in the previous year.

HISTORY

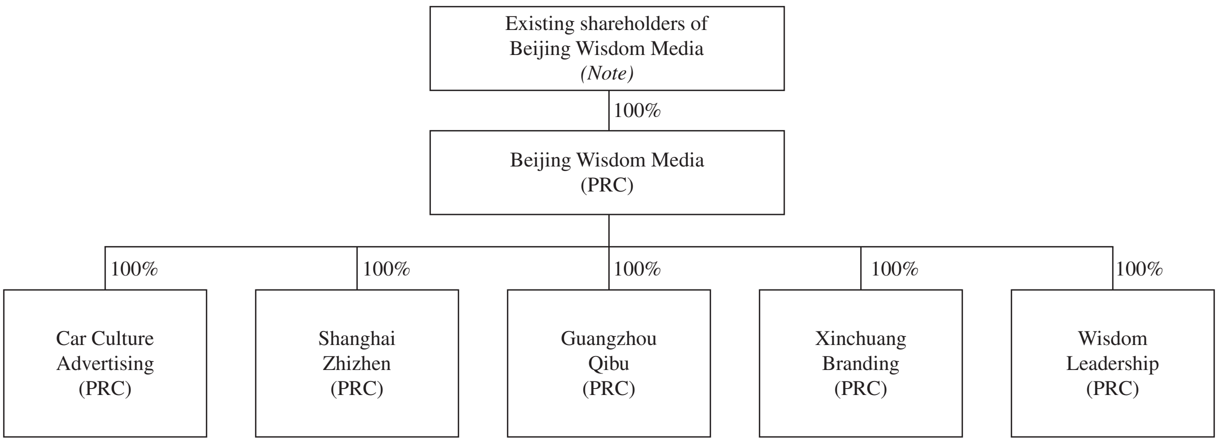
The history of our Group can be traced to December 2006 when Beijing Wisdom Media, the principal operating entity of our Group, was incorporated. Ms. Ren, our chairlady and executive Director, and her family were the initial shareholders of Beijing Wisdom Media and provided the funds for its establishment. The following sets forth the key milestones of our Group since 2006:

Year	Key milestones
2006	Beijing Wisdom Media was established
2007	Launched "CCTV Automobile of the Year (CCTV 年度汽車評選)"
2008	Launched "National Urban Automobile Fuel Efficiency Extreme Challenge" (全國城市汽車節油極限挑戰賽) with Federation of Automobile Sports of the PRC (中國汽車運動聯合會) Organized "Auto Starlight & Green Fashion Environmental Charity Event for Blessing the Olympic Game"《車影星光綠色風尚祝福奧運環保公益酒會》 Produced Special Report on International Automobile Exhibition (國際車展特別報導)
2009	Guangzhou Qibu was established
2010	Beijing Wisdom Media was transformed from a limited liability company to a joint stock company Car Culture Advertising was established The Group's automobile-related TV program was first broadcasted on a satellite TV channel Air time of the TV programs produced by us reached 720 minutes We were granted with the exclusive right by CCTV to advertising time for selected TV programs broadcasted on CCTV, including "World Express (國際時訊)", "News Weekly (新聞週刊)", "World Weekly (世界週刊)", "Treasure Hunt (尋寶)" and "Oriental Horizon (東方時空)" We were awarded with the "Media Company with Most Influential Brand"《最具品牌影響力傳媒公司》 We were awarded with the "CV Awards Top 100 Growth Companies of the Year"《CV Awards 最具潛力企業 100》
2011	Xinchuang Branding and Wisdom Leadership were established Launched "Auto Fashion (車風尚)" and "Driving Fashion (駕尚)" Air time of the TV programs produced by us reached 1,930 minutes We were awarded with the "Chinese Advertisement Company with Golden Comprehensive Strategy"《中國廣告金牌綜合策略公司》 We were awarded with the "Golden Partner Award of China Advertising Great-Wall Awards for Advertisers"《廣告主長城金夥伴獎》

Year	Key milestones
2012	Launched "Lucky Go (週末駕到/天天駕到)"
	Air time of the TV programs produced by us reached 3,985 minutes
	Held the "Guangzhou Sub-station Competition of "FIM Freestyle Motocross World Championship"《國際摩聯花式極限摩托世界錦標賽》
	Organized "2012 China Classic Car Rally"《2012老式汽車中國拉力賽》
	Organized "Guangzhou Marathon 2012"《2012廣州馬拉松》
	We were granted with the "Chinese Advertisement Company with Golden Comprehensive Strategy"《中國廣告金牌綜合策略公司》
	We were granted with the "Golden Partner Award of China Advertising Great-Wall Awards for Advertisers"《廣告主長城金夥伴獎》
	We were granted with the "Integrated Marketing Communications Award of Automobile Industry in China" (中國汽車行業整合傳播大獎)
	We were granted with the "Outstanding Contribution to Automobile and Motorcycle Sports in China"《中國汽車摩托車運動突出貢獻獎》
	We were granted with the "Outstanding Contribution Award for Media Investment Management Services Providers for CCTV Advertisements"《中央電視台年度承包公司傑出貢獻獎》
2013	Launched "China Trends (中國潮)"

CORPORATE AND SHAREHOLDING STRUCTURE OF OUR GROUP IMMEDIATELY BEFORE REORGANIZATION

Our corporate and shareholding structure immediately before the Reorganization:



Note: For the details of the existing shareholders of Beijing Wisdom Media, please refer to the paragraph headed "Our Operating Entities in the PRC Controlled through the Structured Contracts-Beijing Wisdom Media" in this section.

REORGANIZATION

The Reorganization was completed on June 24, 2013 in anticipation of and preparation for the [●], pursuant to which our Company became the ultimate holding company of our Group. Our PRC legal advisers confirmed that we have obtained all necessary approvals, consents, licences and permits under the relevant PRC laws and regulations in connection with the Reorganization. As confirmed by our PRC legal advisers, our beneficial owners who are PRC citizens or residents have completed the process of registration of No. 75 Notice on June 4, 2013.

Incorporation of our Company

On March 21, 2012, our Company was incorporated in the Cayman Islands with an authorized share capital of US$50,000 divided into 50,000 Shares with a nominal value of US$1.00 each. On March 21, 2012, 5,029 Shares were issued to Queen Media, 864 Shares were issued to Top Car, and 2,907 Shares were issued to Lucky Go, respectively at nominal value. On June 28, 2012, 1,000 Shares were issued to Ms. Ren at nominal value. After such issue of Shares, our Company was held as to 51.32% by Queen Media, 8.82% by Top Car, 29.66% by Lucky Go and 10.20% by Ms. Ren. The principal business of our Company is investment holding.

Incorporation of our BVI and Hong Kong subsidiaries

On April 2, 2012, Torch Media was incorporated as a limited liability company in BVI, with an authorized share capital of US$50,000 divided into 50,000 ordinary shares of nominal value of US$1.00 each. One ordinary share of US$1.00 was issued to our Company on the same date. Since the establishment of Torch Media, it has been a wholly-owned subsidiary of our Company. The principal activity of Torch Media is investment holding.

On April 23, 2012, Wisdom HK was incorporated as a limited liability company in Hong Kong, with an authorized share capital of HK$10,000 divided into 10,000 ordinary shares with a nominal value of HK$1.00 each, of which one share was issued to Torch Media. Since the establishment of Wisdom HK, it has been a wholly-owned subsidiary of Torch Media. The principal activity of Wisdom HK is investment holding.

Transfers of the shares of Lucky Go

Lucky Go was incorporated in the BVI on March 16, 2012 by 15 individual shareholders, all of which are natural persons and are shareholders of Beijing Wisdom Media. On April 26, 2013, Chen Bin and Ms. Ren entered into share transfer agreements with Shi Libin, who is also a shareholder of Lucky Go, respectively. Pursuant to the share transfer agreements, Chen Bin agreed to transfer to Shi Libin his entire interest in Lucky Go, representing 0.31% of the issued share capital of Lucky Go, at nil consideration and Ms. Ren agreed to transfer to Shi Libin 2.44% of the issued share capital of Lucky Go at nil consideration. Upon completion of these transfers, Lucky Go was owned as to 33.13% by Ms. Ren, 6.19% by Shi Libin and 60.68% by the other 12 shareholders. Chen Bin will transfer his interest in Beijing Wisdom Media to Ms. Ren when the necessary procedures and registrations under the relevant applicable PRC laws and regulations are completed.

Share subdivision

On June 14, 2013, our Shareholders resolved to approve, among other things, the subdivision of each issued and unissued ordinary share of US$1.00 each in the capital of our Company to 4,000 shares of US$0.00025 each. For further information on changes in the share capital of our Company, please refer to "Appendix IV — Statutory and General Information — A. Further information about our Company".

Investments

The table below sets forth details of our investments:

Name of the Investor	Date of investment	Consideration paid (US$)	Payment date of consideration
Guan Xin Investments Limited	July 3, 2012	250,000	July 4, 2012
Merits Gain Investments Ltd.	July 3, 2012	250,000	July 9, 2012
Avance Holdings Limited *(Note 4)*	July 16, 2012	50,000	July 18, 2012
Simplicio Universal Limited	July 11, 2012	5,000	July 12, 2012
Horoy Enterprise Holdings Limited	July 16, 2012	10,000	July 16, 2012
Horoy International Holdings Limited	July 16, 2012	10,000	July 16, 2012
Joy Thought Holdings Limited	July 17, 2012	30,000	July 18, 2012
New Kingleader Holdings Limited	July 17, 2012	10,000	July 18, 2012
Sunny Stone Limited	July 18, 2012	5,000	July 19, 2012

Note:

4. *To the best knowledge of the Directors, the shareholders of Avance Holdings Limited hold their respective interests for Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司), which acquired 10% equity interest of Beijing Wisdom Media by way of subscription of new share capital in December 2009.*

Guan Xin Investments Limited ("Guan Xin") and Merits Gain Investments Ltd. ("Merits Gain")

Our Company was incorporated with a view to becoming the ultimate holding company of our Group after the Reorganization. As part of the formation of the offshore corporate structure of the Group, we understood from the relevant PRC regulatory authorities that our Company should not be thinly capitalized. With that understanding, our then shareholders decided to bring in two independent investors, namely Guan Xin and Merits Gain, to subscribe for a total of 200 Shares at the total consideration of US$500,000.

On June 5, 2012, Guan Xin and Merits Gain entered into a letter of intent with the Company and the shareholders of Queen Media, Top Car and Lucky Go with respect to the subscription by each of Guan Xin and Merits Gain of 100 Shares at a consideration of US$250,000 ("Guan Xin and Merits Gain Consideration"), equivalent to US$2,500 per Share respectively. The formal subscription agreement was entered into on July 3, 2012. The Guan Xin and Merits Gain Consideration was based on arm's length negotiation between the parties. Each of Guan Xin and Merits Gain will own approximately 0.75% of the issued share capital of the Company upon [●]. Guan Xin is an investment holding company incorporated in the BVI, whose ultimate beneficial owner is Lui Lung Wai (呂龍威), who is, to the best of the knowledge, information and belief of our Directors, independent of and not connected with our Company and our subsidiaries. Merits Gain is an investment holding company incorporated in the BVI, whose ultimate beneficial owner is Xiangwen Sha, who is, to the best of the knowledge, information and belief of our Directors, independent of and not connected with our Company and our subsidiaries. The investments made by Guan Xin and Merits Gain are not subject to lock-up and any special rights. The Guan Xin and Merits Gain Consideration was irrevocably settled by Guan Xin and Merits Gain and received by our Company on July 4 and July 9, 2012 respectively. There are no conditions imposed to the use of the Guan Xin and Merits Gain Consideration by the Company and part of the Guan Xin and Merits Gain Consideration was used as working capital by our Company.

Subsequent to the investments by Guan Xin and Merits Gain, several strategic investors were introduced.

Avance Holdings Limited ("Avance Holdings")

On July 16, 2012, Avance Holdings entered into a share transfer agreement with Ms. Ren, pursuant to which Ms. Ren agreed to transfer 1,000 ordinary shares of the then issued share capital of the Company to Avance Holdings at a consideration of US$50,000 ("Avance Holdings Consideration"), equivalent to US$50 per share based on arm's length negotiation between the parties with reference to the net asset value of our Company at that time. Avance Holdings is an investment holding company incorporated in the BVI. To the best knowledge of the Directors, the shareholders of Avance Holdings hold their respective interests on behalf of Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司) ("Shenzhen Capital"), the ultimate beneficial owner. Shenzhen Capital has been interested in, directly and through its subsidiary Beijing Hongtu Jiahui Venture Investment Co., Ltd, an aggregate of 10% of the total issued shares of Beijing Wisdom Media since December 2009.

Simplicio Universal Limited ("Simplicio")

On July 11, 2012, Simplicio entered into a share transfer agreement with Lucky Go, pursuant to which Lucky Go agreed to transfer 100 ordinary shares of the then issued share capital of the Company to Simplicio at a consideration of US$5,000 ("Simplicio Consideration"), equivalent to US$50 per share based on arm's length negotiation between the parties with reference to the net asset value of our Company. Simplicio will own approximately 0.75% of the issued share capital of the Company upon [●]. To the best of the knowledge, information and belief of our Directors, Simplicio is an investment holding company incorporated in the BVI, whose ultimate beneficial owner is Lu Xin (陸昕), who is, independent of and not connected with our Company and our subsidiaries. To the best knowledge of the Directors, Lu Xin maintains a working relationship with certain international sports organizations. We believe that our Group will be able to leverage on the experience and business network of Lu Xin in identifying new opportunities for us to organize and promote more sports events and competitions. The investment made by Simplicio is not subject to lock-up and any special rights. The Simplicio Consideration was irrevocably settled by Simplicio and received by Lucky Go on July 12, 2012.

Horoy Enterprise Holdings Limited ("Horoy Enterprise Holdings") and Horoy International Holdings Limited ("Horoy International")

On July 16, 2012, Horoy Enterprise Holdings entered into a share transfer agreement with Lucky Go, pursuant to which Lucky Go agreed to transfer 200 ordinary shares of the then issued share capital of the Company to Horoy Enterprise Holdings at a consideration of US$10,000 ("Horoy Enterprise Consideration"), equivalent to US$50 per share based on arm's length negotiation between the parties with reference to the net asset value of our Company. Horoy Enterprise Holdings will own approximately 1.50% of the issued share capital of the Company upon [●]. To the best of the knowledge, information and belief of our Directors, Horoy Enterprise Holdings is an investment holding company incorporated in the BVI, whose ultimate beneficial owners are Lai Hoi Man and Chan See Ting, who are independent of and not connected with our Company and our subsidiaries. The investment made by Horoy Enterprise Holdings is not subject to lock-up and any special rights. The Horoy Enterprise Holdings Consideration was irrevocably settled by Horoy Enterprise Holdings and received by Lucky Go on July 16, 2012.

On July 16, 2012, Horoy International entered into a share transfer agreement with Lucky Go, pursuant to which Lucky Go agreed to transfer 200 ordinary shares of the then issued share capital of the Company to Horoy International at a consideration of US$10,000 ("Horoy International Consideration"), equivalent to US$50 per share based on arm's length negotiation between the parties with reference to the net asset value of our Company. Horoy International will own approximately 1.50% of the issued share capital of the Company upon [●]. To the best of the knowledge, information and belief of our Directors, Horoy International is an investment holding company incorporated in Samoa, whose ultimate beneficial owners are Lai Hoi Man and Chan See Ting, who are independent of and not connected with our Company and our subsidiaries. The investment made by Horoy International is not subject to lock-up and any special rights. The Horoy International Consideration was irrevocably settled by Horoy International and received by Lucky Go on July 16, 2012.

To the best knowledge of the Directors, Lai Hoi Man and Chan See Ting have extensive experience in real estate development in the PRC. We believe that our Group will be able to leverage on their business network to reach out to potential high net worth customers.

Joy Thought Holdings Limited ("Joy Thought")

On July 17, 2012, Joy Thought entered into a share transfer agreement with Lucky Go, pursuant to which Lucky Go agreed to transfer 600 ordinary shares of the then issued share capital of the Company to Joy Thought at a consideration of US$30,000 ("Joy Thought Consideration"), equivalent to US$50 per share based on arm's length negotiation between the parties with reference to the net asset value of our Company. Joy Thought will own approximately 4.50% of the issued share capital of the Company upon [●]. To the best of the knowledge, information and belief of our Directors, Joy Thought is an investment holding company incorporated in the BVI, whose ultimate beneficial owner is Chou Tai-Soon (周台生), who is independent of and not connected with our Company and our subsidiaries. To the best knowledge of the Directors, Chou Tai-Soon is engaged in the business of manufacturing automobile parts in Taiwan and the PRC. We believe that our Group will be able to leverage on his business network to reach out to potential customers in the automobile and related industries as well as potential customers in Taiwan. The investment made by Joy Thought is not subject to lock-up and any special rights. The Joy Thought Consideration was irrevocably settled by Joy Thought and received by Lucky Go on July 18, 2012.

New Kingleader Holdings Limited ("New Kingleader")

On July 17, 2012, New Kingleader entered into a share transfer agreement with Lucky Go, pursuant to which Lucky Go agreed to transfer 200 ordinary shares of the then issued share capital of the Company to New Kingleader at a consideration of US$10,000 ("New Kingleader Consideration"), equivalent to US$50 per share based on arm's length negotiation between the parties with reference to the net asset value of our Company. New Kingleader will own approximately 1.50% of the issued share capital of the Company upon [●]. To the best of the knowledge, information and belief of our Directors, New Kingleader is an investment holding company incorporated in the BVI, whose ultimate beneficial owner is Lan Yan (蘭燕), who is independent of and not connected with our Company and our subsidiaries. To the best knowledge of the Directors, Lan Yan is engaged in the import and export trading of automobiles in the PRC. We believe that our Group will be able to leverage her business relationship to reach out to potential customers in the automobile and related industries in the PRC. The investment made by New Kingleader is not subject to lock-up and any special rights. The New Kingleader Consideration was irrevocably settled by New Kingleader and received by Lucky Go on July 18, 2012.

Sunny Stone Limited ("Sunny Stone")

On July 18, 2012, Sunny Stone entered into a share transfer agreement with Lucky Go, pursuant to which Lucky Go agreed to transfer 100 ordinary shares of the then issued share capital of the Company to Sunny Stone at a consideration of US$5,000 ("Sunny Stone Consideration"), equivalent to US$50 per share based on arm's length negotiation between the parties with reference to the net asset value of our Company. Sunny Stone will own approximately 0.75% of the issued share capital of the Company upon [●]. To the best of the knowledge, information and belief of our Directors, Sunny Stone is an investment holding company incorporated in the BVI, whose ultimate beneficial owner is Li Shan, who is independent of and not connected with our Company and our subsidiaries. To the best knowledge of the Directors, Li Shan maintains a working relationship with program production houses in the PRC. We believe that our Group will be able to leverage on the experience and business network of Li Shan to obtain copyrights for the production and/or broadcast of foreign television programs. The investment made by Sunny Stone is not subject to lock-up and any special rights. The Sunny Stone Consideration was irrevocably settled by Sunny Stone and received by Lucky Go on July 19, 2012.

On the above basis, our Directors believe that the introduction of these investors is in the interest of our Group and its shareholders as a whole.

The ultimate shareholders of each of Guan Xin, Merits Gain, Simplicio, Horoy Enterprise Holdings, Horoy International, Joy Thought, New Kingleader and Sunny Stone are friends of Ms. Ren and do not have existing business relationships with us. To the understanding of our Directors, Simplicio and Sunny Stone decided to invest in our Company as the business model of our Group may have synergy with the business of their ultimate beneficial owners involving sports competitions and program production; Horoy Enterprise Holdings and Horoy International decided to invest in our Company in order to diversify the investment portfolios of their ultimate beneficial owners, which comprised investments in the real estate industry, into the marketing communications industry, and our integrated business model provides us with multiple revenue streams, in particular, from media investment management services, program production and sports competition organization; and Joy Thought and New Kingleader, each of which ultimate beneficial owners is engaged in automobile-related business, decided to invest in our Company in view of our expertise in China's fast-growing automobile industry as a media products provider.

To the best knowledge of the Directors, each of the above investors is independent from each other, except for Horoy Enterprise Holdings and Horoy International which are controlled by the same ultimate shareholders.

Incorporation of our PRC subsidiaries

On July 6, 2012, August 3, 2012 and August 3, 2012, Wisdom Culture, Zhejiang Wisdom Advertising and Zhejiang Wisdom Sports, respectively, were established with a view to rationalizing our group holding structure as part of our long term business development.

Wisdom Culture was established as a wholly foreign owned enterprise in the PRC by Wisdom HK on July 6, 2012 with a registered and paid up capital of US$500,000. Wisdom Culture and Beijing Wisdom Media also entered into a series of Structured Contracts in relation to the TV program production business so as to maintain the control of the operation, obtain the economic benefits and prevent leakages of assets and values to the registered equity holders of Beijing Wisdom Media. Please refer to the paragraph headed "Structured Contracts" in this section for details of the contractual arrangement.

Zhejiang Wisdom Advertising was established as a limited liability company in the PRC with a registered and paid up capital of RMB10,000,000 on August 3, 2012. Zhejiang Wisdom Advertising is wholly-owned by Wisdom Culture. It is principally engaged in advertisement production and agency services and is one of our principal operating subsidiaries. Zhejiang Wisdom Advertising was established with a view to developing our advertising business as part of our long term business development.

Zhejiang Wisdom Sports was established as a limited liability company in the PRC with a registered and paid up capital of RMB10,000,000 on August 3, 2012. Zhejiang Wisdom Sports is wholly-owned by Wisdom Culture. It is principally engaged in organization, management and promotion of sports events and is one of our principal operating subsidiaries. Zhejiang Wisdom Sports was established with a view to developing our sports-related business as part of our long term business development.

As of the Latest Practicable Date, Zhejiang Wisdom Advertising and Zhejiang Wisdom Sports have taken up our business of advertisement production and agency services and our business of organization, management and promotion of sports events, respectively.

On April 3, 2013, Zhejiang Weishide Advertising was established. As of the Latest Practicable Date, Zhejiang Weishide Advertising has not yet commenced business.

Establishment of the SKY Trust by Ms. Ren

On April 15, 2013, the SKY Trust was established, with Ms. Ren as settlor and with Ms. Ren and her family members as discretionary beneficiaries. On April 15, 2013, Ms. Ren transferred her entire shareholdings in Queen Media to Trust Co, a limited company incorporated in Guernsey, for nil consideration for the settlement of the SKY Trust with Credit Suisse Trust Limited acting as the trustee. Following such transfer, Trust Co has become the sole shareholder of Queen Media. The beneficiaries of the SKY Trust are Ms. Ren and her family members. The sole asset of such family trust is the entire issued share capital of Trust Co which is managed by Credit Suisse Trust Limited.

STRUCTURED CONTRACTS

On June 24, 2013, Wisdom Culture and Beijing Wisdom Media entered into the Structured Contracts in relation to the TV program production business so as to maintain the control of the operation, obtain the economic benefits and prevent leakages of assets and values to the registered equity holders of Beijing Wisdom Media. We have narrowly tailored the Structured Contracts in order to achieve the Group's business purposes to minimize the potential for conflict with relevant PRC laws and regulations. Our Group intends to unwind the Structured Contracts and acquire the equity interest in Beijing Wisdom Media as soon as the relevant PRC laws allow us to operate Beijing Wisdom Media's business without the Structured Contracts.

The business operations of Beijing Wisdom Media involve the production of TV programs, which is subject to foreign investment restrictions under the applicable PRC laws. As such, we cannot acquire the equity interest in Beijing Wisdom Media. As a result, the Structured Contracts dated June 24, 2013 were entered into between or amongst Beijing Wisdom Media, all of its shareholders and/or Wisdom Culture and were designed to provide Wisdom Culture and thus our Group with effective control over the financial and operational policies of Beijing Wisdom Media and (to the extent permitted by PRC laws and regulations) the right to acquire the equity interests in Beijing Wisdom Media after the [●]. As at the Latest Practicable Date, Beijing Wisdom Media is held as to 52.29% by Ms. Ren, 8.46% by Mr. Sheng Jie, 0.18% by Mr. Zhang Han, all of which our executive Directors, and 39.07% by other existing shareholders, details of which are set out in the paragraph headed "Our Operating Entities in the PRC Controlled through the Structured Contracts — Beijing Wisdom Media" in this section.

The Structured Contracts currently in force comprise five agreements, namely: (i) the exclusive consulting and service agreement; (ii) the irrevocable power of attorney; (iii) the exclusive business operating agreement; (iv) the exclusive option agreement; and (v) the share pledge agreement under which all the material business activities involving the Restricted Businesses of Beijing Wisdom Media are instructed and supervised by Wisdom Culture and all economic benefits and risks arising from the business of Beijing Wisdom Media are transferred to our Group. Our PRC legal advisers advised that the Structured Contracts are in compliance with and are enforceable under the existing PRC laws or regulations. Details of the Structured Contracts are set out below:

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

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

In consideration of the provision of the aforesaid services provided to Beijing Wisdom Media, Beijing Wisdom Media has agreed to pay Wisdom Culture a service fee. The service fee to which Wisdom Culture is entitled to receive shall represent the total revenue of Beijing Wisdom Media, after deducting all operational costs and relevant applicable taxes. Wisdom Culture and Beijing Wisdom Media shall negotiate in good faith the actual amount of service fee payable after taking into consideration (i) the scope and scale of the services provided by Wisdom Culture; and (ii) the anticipated cash needs of Beijing Wisdom Media for its normal operations and business development from time to time. Beijing Wisdom Media has agreed to pay Wisdom Culture the service fee no later than 10 working days upon the receipt of invoice issued by Wisdom Culture. Our Directors consider that the above arrangement will ensure the economic benefits generated from the operations of Beijing Wisdom Media will flow to Wisdom Culture and hence, our Group as a whole and meanwhile sustaining normal business operations and facilitating necessary developments for the content/program production business under the Wisdom Program unit. In the event that Beijing Wisdom Media incurred any operating loss or encountered any critical operational adversity, Wisdom Culture may, but is not obligated to, provide financial support to Beijing Wisdom Media, and Beijing Wisdom Media shall unconditionally accept the decision of Wisdom Culture as to whether Beijing Wisdom Media should continue its operations.

Pursuant to the exclusive consulting and service agreement, Wisdom Culture shall, amongst other things, (i) form strategically co-operative relationship and share the clients' data with Beijing Wisdom Media and promote its business; (ii) provide marketing services and advisory services in respect of the TV program production business and pro-actively seek opportunities for Beijing Wisdom Media in respect of the advertising business and sports-related business and submit joint bids with Beijing Wisdom Media for the provision of media services; (iii) provide staff training; (iv) provide the development and transfer of technology and advisory services in respect of the technology; (v) provide public relations services; (vi) provide market research, analysis and advisory services in respect of the PRC and overseas marketing communications industry; and (vii) provide mid-short term marketing development and marketing planning service.

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

- ***Irrevocable power of attorney***

All of the shareholders of Beijing Wisdom Media executed an irrevocable power of attorney dated June 24, 2013, which enables our Company and our Directors and their successors (including any liquidator being appointed in the event of liquidation) to exercise all the powers of the shareholders (including their successors and transferees) of Beijing Wisdom Media.

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

Pursuant to the power of attorney, our Company and our Directors and their successors (including any liquidator being appointed in the event of liquidation) shall exercise rights of all of the shareholders of Beijing Wisdom Media (including but not limited to right to propose a general meeting, rights of voting, sale or transfer of all or part of their interests in Beijing Wisdom Media, signing minutes and filing documents with relevant companies registry). Our Company has the power to designate the person as nominated by our executive Directors or our Board to exercise the rights to our Company under the power of attorney.

- ***Exclusive business operating agreement***

Wisdom Culture, Beijing Wisdom Media and all of its shareholders (including their successors and transferees) entered into an exclusive business operating agreement dated June 24, 2013, pursuant to which Beijing Wisdom Media agreed, and all of the aforesaid shareholders agreed to cause Beijing Wisdom Media and its subsidiaries, not to enter into any transaction which might substantially affect Beijing Wisdom

Media's assets, business, employees, rights, obligations or operations unless prior written approval of Wisdom Culture or its designated third party (which shall be a wholly-owned subsidiary of our Company) have been obtained. Such prohibited transaction includes, without limitation, the following:

(a) engaging in any activities outside of the ordinary course of Beijing Wisdom Media's business;

(b) altering Beijing Wisdom Media's constitutional documents, the scope of operation or registered capital;

(c) incurring any debts which in aggregate exceed RMB1 million;

(d) providing any guarantee to any third parties in respect of their liabilities;

(e) acquiring or leasing or transferring or disposing of any of Beijing Wisdom Media's core assets, or acquiring or leasing or transferring or disposing of any of Beijing Wisdom Media's assets (other than those in the ordinary course of business);

(f) distributing any bonus or dividend in any manner; and

(g) entering into any transaction with any connected person of Beijing Wisdom Media or its shareholders.

Pursuant to the exclusive business operating agreement, all of the shareholders of Beijing Wisdom Media agreed to, amongst other things:

(a) appoint candidate(s) nominated by Wisdom Culture as director(s) of Beijing Wisdom Media in accordance with the procedures prescribed under the PRC laws and regulations and Beijing Wisdom Media's constitutional documents;

(b) procure the appointment of candidates nominated by Wisdom Culture to be the chairman of the board of directors, the chief executive officer, the financial controller and other senior management of Beijing Wisdom Media; and

(c) transfer the bonus, distributable dividend, any other income or interest receivable by them at nil consideration to Wisdom Culture as soon as practicable.

In the event of death, bankruptcy or divorce of the shareholders of Beijing Wisdom Media resulting in a change in ownership of its shares, all shareholders of Beijing Wisdom Media agreed that (i) the rights and obligations under the exclusive business operating agreement shall continue to bind on their successors; and (ii) the exclusive business operating agreement shall prevail over their wills, divorce agreements, debts arrangements and other legal instruments in any forms entered into by them after the signing of the exclusive business operating agreement, unless prior written approval of Wisdom Culture has been obtained.

In the event that the shareholders or officers of the shareholders (in case of a body corporate) of Beijing Wisdom Media occupy the position of directors, the senior management and other positions of our Company, all of the shareholders of Beijing Wisdom Media agreed that they shall give priority to, and shall not cause the damage to, the interests of Wisdom Culture and our Company if there are any potential conflicts of interest amongst Wisdom Culture, our Company, Beijing Wisdom Media and its shareholders.

Ms. Ren, being the chairlady of our Company, has been appointed as the chairlady of the board of directors of Beijing Wisdom Media and has taken up the leading role in the governance of implementation of the financial and operating policies in respect of Beijing Wisdom Media in order to ensure that Beijing Wisdom Media will be managed and operated according to our Group's policies and the terms of the Structured Contracts.

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

- ***Exclusive option agreement***

Wisdom Culture, Beijing Wisdom Media and all of its shareholders (including their successors and transferees) entered into an exclusive option agreement dated June 24, 2013, pursuant to which all of the shareholders of Beijing Wisdom Media agreed to grant an irrevocable option to Wisdom Culture for it or its designated third party (which shall be a wholly-owned subsidiary of our Company) to acquire all or any of their equity interests in Beijing Wisdom Media, on condition that such acquisition should comply with terms of the exclusive option agreement, at nominal price (being the minimum price as permitted under the applicable PRC laws and regulations), if such acquisition is permissible under the PRC laws and regulations.

Pursuant to the exclusive option agreement, Beijing Wisdom Media has undertaken to perform certain acts or refrain from performing certain other acts unless it has obtained prior approval from Wisdom Culture or its designated third party (which shall be a wholly-owned subsidiary of our Company), including but not limited to the following:

(a) Beijing Wisdom Media shall prudently and effectively operate its business and transactions in accordance with the good financial and business standards and conventions;

(b) as requested by Wisdom Culture from time to time, Beijing Wisdom Media shall provide its operational and financial information to Wisdom Culture;

(c) Beijing Wisdom Media shall not sell, transfer, create encumbrances or otherwise dispose of its any assets, business, income or permit it to subsist any guarantee thereof, other than those in the ordinary course of business or having been disclosed to and consented by Wisdom Culture;

(d) Beijing Wisdom Media shall not distribute the dividend and bonus in whatsoever manner to any of its shareholders;

(e) Beijing Wisdom Media shall not incur, take up, guarantee or permit it to subsist any loans other than those in the ordinary course of business or having been disclosed to and consented by Wisdom Culture;

(f) Beijing Wisdom Media shall not enter into any material contracts, other than those in the ordinary course of business;

(g) Beijing Wisdom Media shall not alter its constitutional documents or registered capital; and

(h) Beijing Wisdom Media shall not engage in any merger or acquisition or make investment in any entities.

Pursuant to the exclusive option agreement, all of the shareholders of Beijing Wisdom Media have undertaken that, amongst other things:

(a) the performance of any of their obligations under the exclusive option agreement will not result in breach of any applicable PRC laws and any contract or agreement and is not subject to the approval of PRC authorities;

(b) they shall immediately notify Wisdom Culture of any litigation, arbitration or administrative proceeding, which involved, or may involve, their equity interests in Beijing Wisdom Media; or any events which may adversely affect such equity interests;

(c) to maintain all rights of equity interests in Beijing Wisdom Media, they shall sign such documents and take such actions as necessary or appropriate, and initiate or defend such claims as necessary or appropriate.

Prior to exercising the share option to acquire all shares and assets of Beijing Wisdom Media by Wisdom Culture or its designated third party (which shall be a wholly-owned subsidiary of our Company) and in the event of death, bankruptcy or divorce of the shareholders of Beijing Wisdom Media resulting in a change in ownership of its shares, all shareholders of Beijing Wisdom Media agreed that (i) the rights and obligations under the exclusive option agreement shall continue to bind on their successors; and (ii) the exclusive option agreement shall prevail over their wills, divorce agreements, debts arrangements and other legal instruments in any forms entered into by them after the signing of the exclusive option agreement, unless prior written approval of Wisdom Culture has been obtained.

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

- ***Share pledge agreement***

Wisdom Culture and all of the shareholders (including their successors and transferees) of Beijing Wisdom Media entered into a share pledge agreement dated June 24, 2013, pursuant to which all of the shareholders of Beijing Wisdom Media agreed to pledge their equity interests in Beijing Wisdom Media to Wisdom Culture to secure the performance of all of the obligations of Beijing Wisdom Media and/or all of its shareholders under the aforesaid exclusive business operating agreement and exclusive consulting and service agreement. Such obligations include without limitation all fees, expenses and damages payable to Wisdom Culture, interest, default payments, compensations, enforcement costs, and all liabilities owed by Beijing Wisdom Media and its shareholders to Wisdom Culture in the event the aforesaid exclusive business operating agreement and the exclusive consulting and service agreement became unenforceable.

Pursuant to the share pledge agreement, all of the shareholders of Beijing Wisdom Media have undertaken to Wisdom Culture, amongst other things:

(a) not to transfer the equity interests in Beijing Wisdom Media (save and except the transfer of shares to Wisdom Culture or its designated third party, which shall be a wholly-owned subsidiary of our Company) and not to create or allow any guarantee or pledge to be created thereon that may affect the rights and interest of Wisdom Culture without the prior written consent of Wisdom Culture;

(b) to comply with and implement the requirements under all applicable PRC laws and regulations, and on the receipt of any notice, order or proposal issued by any competent authority in relation to the share pledge, to deliver the same to Wisdom Culture not later than 5 working days upon such receipt and to comply with such notice, order or proposal according to Wisdom Culture's reasonable instructions;

(c) to promptly notify Wisdom Culture any event or notice of event that may affect equity interests of any shareholders of Beijing Wisdom Media or rights thereof; that may change the obligation under the share pledge agreement and the performance thereof by any shareholders of Beijing Wisdom Media and to comply with such notice, order or proposal according to Wisdom Culture's reasonable instructions; and

(d) to comply with and perform their warranties, undertakings, agreements and representations under the share pledge agreement and to compensate Wisdom Culture in the event that the shareholders of Beijing Wisdom Media fail to perform or fully fulfill such warranties, undertakings, agreements and representations.

Under the share pledge agreement, shareholders of Beijing Wisdom Media are, among other things, deemed to have defaulted on the terms of the share pledge agreement if:

(a) they or their successors or transferees fail to pay sum payable; or fail to perform the obligations under the exclusive consulting and service agreement and exclusive business operating agreement; or

(b) they are unable to repay their debts or other liabilities.

In any of the events of default set out in the share pledge agreement, Wisdom Culture shall be entitled to exercise the following rights:

(a) Wisdom Culture may issue notice of default to all of the shareholders of Beijing Wisdom Media;

(b) if fees payable have not been fully settled, none of the shareholders of Beijing Wisdom Media shall transfer any of their equity interests in Beijing Wisdom Media without the written consent of Wisdom Culture;

(c) unless all of the shareholders of Beijing Wisdom Media have cured default or have taken remedial actions as necessary, Wisdom Culture may at any time after the issue of notice of default exercise its rights to acquire the equity interests in Beijing Wisdom Media;

(d) Wisdom Culture may acquire the equity interests in Beijing Wisdom Media at an agreed price, and is in priority to receive the sale proceeds obtained in tender or by sale of the equity interests in Beijing Wisdom Media in accordance with the PRC statutory procedures until all unpaid service fees and all other payables have been fully settled and the exclusive option agreement and exclusive business operating agreement have been duly performed; and

(e) all of the shareholders of Beijing Wisdom Media shall not hinder and shall provide necessary assistance if Wisdom Culture exercises its rights under the share pledge agreement.

In the event of death, bankruptcy or divorce of any shareholders of Beijing Wisdom Media resulting in a change in ownership of its shares, all shareholders of Beijing Wisdom Media agreed that (i) the rights and obligations under the share pledge agreement shall continue to bind on their successors and the other shareholders; and (ii) the share pledge agreement shall prevail over their wills, divorce agreements, debts arrangements and other legal instruments in any forms entered into by them after the signing of the share pledge agreement, unless prior written approval of Wisdom Culture has been obtained.

According to the terms of the share pledge agreement and the PRC laws, rights and obligations in the share pledge agreement will be binding on the successors or transferees of Wisdom Culture and the shareholders of Beijing Wisdom Media.

The share pledge agreement dated June 24, 2013 will be registered on Beijing Wisdom Media's register of members and with the Administration for Industry and Commerce, following which the share pledge agreement shall be in full force and effect until and unless it is terminated by Wisdom Culture by giving all of the shareholders of Beijing Wisdom Media a 30 days' prior written notice of termination. None of the shareholders of Beijing Wisdom Media shall have any right to terminate the share pledge agreement.

Relevant provisions of the Property Law of the PRC

According to Article 219 of the Property Law of the PRC (中華人民共和國物權法), where the debtor defaults on its debt obligations or where the pledge right as stipulated by the parties shall be realized, the pledgee may, by negotiating with the pledger, acquire the pledge upon an agreed price or seek deferred payments from the money generated from the auction or sale of the pledged properties. Reference shall be made to the market price for any acquisition or sale of pledged property.

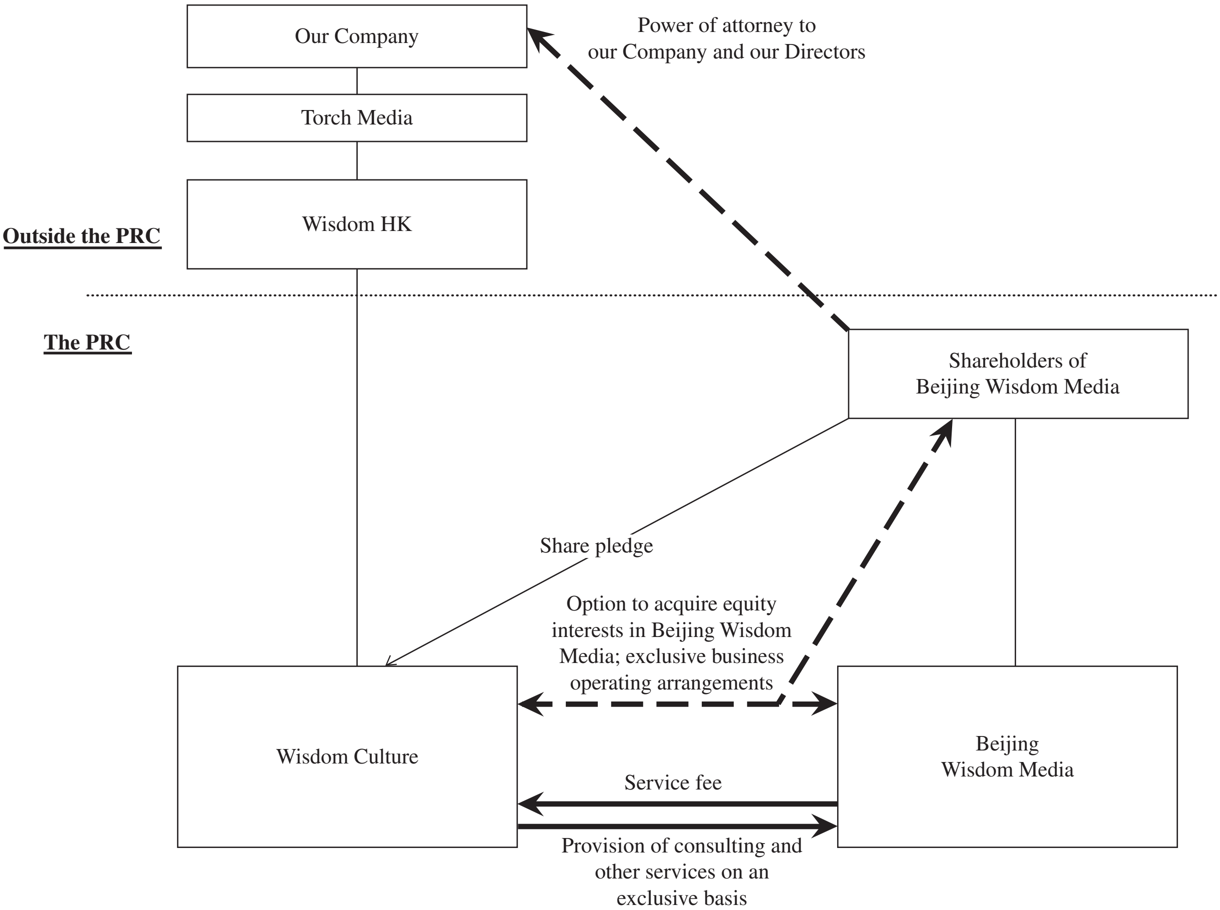
Based on the above, the PRC legal advisers of the Company are of the opinion that, where the parties choose to realize their pledge rights through acquiring the pledge in all or in part upon an agreed price, the consideration should refer to the market price rather than be set at an "nominal price" by the parties at will.

Remedy for other events of default

The PRC legal advisers of the Company are of the opinion that, following events of default other than the non-payment of service fees, Wisdom Culture is still entitled to enforce the share pledge agreement and acquire the equity interest in Beijing Wisdom Media with the amount of any loss or damages suffered by the Wisdom Culture. As such, the shareholders of Beijing Wisdom Media will not have obtained any proceeds arising from such event of default.

Diagrammatic representation of the Structured Contracts

The following simplified diagram illustrates how the Structured Contracts effectively transfer the economic benefits of Beijing Wisdom Media and pass the risks associated therewith to our Group as stipulated under the Structured Contracts:



Notes:

1. *Wisdom Culture will provide Beijing Wisdom Media with the consulting and other related services. In return, Beijing Wisdom Media shall pay Wisdom Culture a service fee. The service fee shall represent the total revenue of Beijing Wisdom Media, after deducting all operational costs and relevant applicable taxes, to be negotiated between Wisdom Culture and Beijing Wisdom Media after taking into consideration (i) the scope and scale of the services provided by Wisdom Culture; and (ii) the anticipated cash needs of Beijing Wisdom Media for its normal operations and business development from time to time.*

2. *Pursuant to the exclusive business operating agreement, all of the shareholders of Beijing Wisdom Media shall transfer all bonus, distributable dividend, any other income or interest receivable by them at nil consideration to Wisdom Culture as soon as practicable.*

3. *Pursuant to the power of attorney, our Company, our Directors and their successors (including any liquidator being appointed in the event of liquidation) shall exercise rights of all of the shareholders of Beijing Wisdom Media (including but not limited to right to propose a general meeting, rights of voting, sale or transfer of all or part of their interests in Beijing Wisdom Media, signing minutes and filing documents with relevant companies registry). The Company has the power to designate the person as nominated by its executive Directors or the Board to exercise the rights to the Company under the power of attorney.*

4. *Pursuant to the share pledge agreement, all of the shareholders of Beijing Wisdom Media have pledged their equity interests in Beijing Wisdom Media to Wisdom Culture to secure the performance of all of the obligations of Beijing Wisdom Media and/or all of its shareholders under the exclusive business operating agreement and the exclusive consulting and service agreement.*

5. *Pursuant to the exclusive option agreement, all of the shareholders of Beijing Wisdom Media have granted an irrevocable option to Wisdom Culture to acquire their equity interests in Beijing Wisdom Media in accordance with the terms of the exclusive option agreement at nominal price if such acquisition is permissible under the PRC laws and regulations.*

Conduct of operations in compliance with the Structured Contracts

Our Group has adopted and will adopt the following procedures, systems and controls to ensure the sound and effective operation of our Group (including Beijing Wisdom Media) and the implementation of the Structured Contracts after the [●]:

(a) as part of our internal control measures, major issues arising from implementation of the Structured Contracts will be reviewed by the Board (including the independent non-executive Directors) on a regular basis, which will be no less frequent than on a quarterly basis;

(b) matters relating to compliance and regulatory enquiries from governmental authorities (if any) will be discussed at such regular meetings or extraordinary meetings of the Board (including the independent non-executive Directors), if appropriate, which will be no less frequent than on a quarterly basis;

(c) the relevant business units and operation divisions of our Group will report regularly (which will be no less frequent than on a monthly basis) to the senior management of our Company in relation to the compliance and performance conditions under the Structured Contracts and other related matters and the senior management of our Company will in turn report any non-compliance issues to the Board (including independent non-executive Directors) on a regular basis;

(d) (if required) legal adviser and, or other professionals will be retained to assist our Group to deal with specific issues arising from the Structured Contracts; and

(e) our independent non-executive Directors will review the compliance of the Structured Contracts on an annual basis and their confirmation will be disclosed in our annual report.

There are a number of safeguards to ensure that Wisdom Culture does not engage in any restricted business under the rules, regulation and laws of the PRC. First of all, the scope of business of Wisdom Culture does not include the operation of the restricted business, and therefore it is not legally permitted to conduct the same. Further, relevant assets, personnel and resources related to the restricted business of our Group are also owned and employed by Beijing Wisdom Media and not Wisdom Culture. In addition, our Group has an in-house legal and compliance team, and retains external legal advisers by way of general retainer and according to its needs from time to time. As such, the Group will be able to obtain timely advice on this aspect.

Wisdom Culture has the necessary resources to discharge its various responsibilities under the Structured Contracts. In particular, Wisdom Culture directly holds the entire equity interests of Zhejiang Wisdom Sports and Zhejiang Wisdom Advertising, which operate the business units of Wisdom Sports and Wisdom Advertising, which are not restricted business and therefore not subject to the Structured Contracts. These business units represent a significant part of the Group's business operations and financial resources. As at the Latest Practicable Date, Wisdom Culture and its directly owned subsidiaries (including representative offices) have an aggregate of 92 employees of various ranks.

Effect and legality of the Structured Contracts

Our PRC legal advisers confirmed that, based on the prevailing laws and regulations in the PRC, the Structured Contracts are in compliance with, and do not violate the existing rules, regulations and laws in the PRC and are in compliance with the respective articles of association of each party thereto. Each of the Structured Contracts is legal, valid and binding on the contracting parties under the PRC laws. In addition, on September 20, 2011, The MOFCOM publicly clarified, amongst other things, that no laws, regulations and policies have been issued by the MOFCOM to govern variable interest entities ("VIE") structures in the PRC. As confirmed by our PRC legal advisers, SARFT has not promulgated any regulation on the legality and effectiveness of controlling a PRC TV production enterprise by a foreign entity via Structured Contracts. Consultation have also been made with relevant government authorities through their own designated communication channels for handling consultation and questions from the public. On May 10, 2013, our PRC legal advisers have consulted the SARFT via a telephone call regarding the legality of the Structured Contracts between a PRC TV production enterprise and a foreign enterprise. According to the reply of the personnel at the Department of Media Institution Administration of SARFT (廣播電影電視總局傳媒機構管理司), they do not regulate or forbid such arrangements. On May 20, 2013, our PRC legal advisers have consulted the MOFCOM via a telephone call regarding the legality of overseas [●] via VIE structure. According to the reply of the personnel at the Administrative Affairs Service Centre of the MOFCOM (中華人民共和國商務部行政事務服務中心), the VIE structure does not violate the PRC laws. Both of Certain Opinions on Canvassing Foreign Investment into the Culture Industry and the Catalog for the Guidance of Foreign Investment Industries contain no such provisions explicitly forbidding the Structured Contracts. As such, the Directors are of the view that the Structured Contracts conferring significant control and economic benefits from the shareholders of Beijing Wisdom Media to our Group is enforceable under the PRC laws.

The Company is aware of certain recent press articles claiming that certain PRC court rulings and arbitral decisions invalidated certain agreements which were intended to circumvent foreign investment restrictions in the PRC in contravention of the PRC Contract Law and the General Principles of Civil Laws, and that such court rulings and arbitral decisions may increase (i) the possibility of the PRC courts taking similar action on VIE commonly adopted by foreign investors to engage in restricted businesses in the PRC and (ii) the incentive for VIE's PRC owners to renege on their contractual obligations.

Pursuant to article 52 of the PRC Contract Law, a contract shall be void under any of the following circumstances: (i) the contract is concluded through the use of fraud or coercion by one party, therefore damages the interests of the State; (ii) malicious collusion is conducted to damage the interests of the State, a collective or a third party; (iii) the contract damages the public interests; (iv) an illegitimate purpose is concealed under the guise of legitimate acts; or (v) the contract violates the mandatory provisions of the laws and administrative regulations. Our PRC legal advisors are of the view that the relevant terms of the Structured Contracts do not fall within any of the five circumstances under which contracts would be determined to be invalid as set out in article 52 of the PRC Contract Law, in particular, "concealing an illegitimate purpose under the guise of legitimate acts" and "violating the mandatory provisions of laws and administrative regulations", and the terms of the Structured Contracts do not violate any other provisions of the PRC Contract Law and General Principles of Civil Law.

In addition to the share pledge agreement, the following measures are also in place to ensure that the shareholders of Beijing Wisdom Media will discharge their obligations under the Structured Contracts:

a. The share pledge agreement will be registered with the competent administration for industry and commerce. In accordance with the Property Rights Law of the PRC (中華人民共和國物權法), the pledge interest shall be created at the time of registration of the pledge interest by the administration for industry and commerce. After registration, the share pledge shall be enforceable against a third party.

b. The shareholders of Beijing Wisdom Media have executed in blank the share transfer agreements with respect to their shareholding. The Company will keep all these executed agreements and if there is any risk that the share pledge agreement being held invalid or a shareholder fails to discharge his or her obligations under the Structured Contracts, Wisdom Culture may sign and date the share transfer agreement.

c. Beijing Wisdom Media and its shareholders have confirmed that they will surrender their rights to any legal actions arising from the Structured Contracts, including, without limitation, the rights of bringing legal actions or applying for arbitrations, and will not seek any form of legal relief relating to the Structured Contracts.

Wisdom Culture's entitlement to the economic benefits generated from the operations of Beijing Wisdom Media is part of the transactions under the Structured Contracts. Under the Structured Contracts, all the material business activities involving the restricted businesses of Beijing Wisdom Media are instructed and supervised by Wisdom Culture and all economic benefits and risks arising from the business of Beijing Wisdom Media are transferred to Wisdom Culture. The commercial purpose of the Structured Contracts is to provide our Group, having access to a fund raising platform after the [●], with effective control over the financial and operational policies of Beijing Wisdom Media. Therefore, the Directors consider that there is a clear commercial purpose behind the Structured Contracts.

Further, the PRC legal advisers of the Company are of the view that based on the tax certificates issued by the relevant tax authorities and the tax declaration auditing reports issued by relevant independent tax auditors, the types of taxes and tax rates applicable to Wisdom Culture and Beijing Wisdom Culture are the same. As such, the Structured Contracts and the transactions under the same do not have any impact, favorable or not, on the tax liabilities of the Group before the Structured Contracts are entered into.

On the above bases, the Company takes the view that the Structured Contracts are not, and should not be seen as, an attempt to avoid any the Group's tax liabilities which may be subject to challenge by the PRC tax bureaus or government authorities.

Our PRC legal advisers confirmed that they are not aware that there are any judgments or arbitral decisions restricting the [●] by using VIE structures and the Structured Contracts will likely be challenged by the relevant authorities. Up to the Latest Practicable Date, the Group has not encountered any interference or encumbrances from any PRC governing bodies in operating their business through Beijing Wisdom Media under the Structured Contracts. The risks relating to the Structured Contracts are not covered by any insurance. The business unit of Wisdom Program is subject to the Structured Contracts, while the business units of Wisdom Sports and Wisdom Branding are operated by subsidiaries of Wisdom Culture. In the event that the validity of the VIE structure is being challenged by the relevant PRC authorities, the business operation of Wisdom Sports and Wisdom Branding would not be affected.

As for Wisdom Culture and Beijing Wisdom Media, after due and reasonable enquiries, in the opinion of our PRC legal advisers, the two companies and their subsidiaries have obtained all the necessary permits, approvals and certificates of qualifications to carry out their existing business activities in the PRC.

Manner of settlement of disputes which may arise from the Structured Contracts

Pursuant to the Structured Contracts, any dispute arising from the interpretation and performance of the Structured Contracts between the parties thereto should first be resolved through negotiation, failing which any party may submit the said dispute to the China International Economic and Trade Arbitration Commission with a view to resolving the dispute through arbitration in accordance with the arbitration rules thereof. The results of the arbitration shall be final and binding on all relevant parties. The arbitrator may award remedies over the shares or assets of Wisdom Culture, injunctive relief or order the winding up of Beijing Wisdom Media. The courts of Hong Kong, Cayman Islands, the PRC or the place where Wisdom Culture's or Beijing Wisdom Media's principal assets are located will have the power to grant provisional remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases.

However, according to our PRC legal advisers, under the PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order for purpose of protecting assets of or equity interest in operating entities in PRC in case of disputes. Such remedies therefore may not be available to our Group, notwithstanding the terms of Structured Contracts. In other words, such provision in the Structured Contracts may not be enforceable.

The PRC laws do not disallow the arbitral body to give award of transfer of assets of or equity interest in Beijing Wisdom Media. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support such award of the arbitral body when deciding whether to take enforcement measures.

Under the PRC laws, courts or judicial authorities in the PRC generally do not award remedies over the shares and/or assets of Beijing Wisdom Media, injunctive relief or winding-up of Beijing Wisdom Media as interim remedies, before there is any final outcome of arbitration.

Our PRC legal advisers also have reservation that even though the terms of the Structured Contracts provide that overseas courts are given jurisdictions to grant and/or enforce interim remedies or in support of arbitration, such interim remedies may not be recognized or enforced by the PRC court. In the event we are unable to enforce the Structured Contracts, we may not be able to exert effective control over Beijing Wisdom Media, and our ability to conduct our business may be negatively affected.

Basis of presenting the financial information of Beijing Wisdom Media

The Structured Contracts collectively enabled Wisdom Culture to exercise effective control and obtain substantially all economic risks and benefits of Beijing Wisdom Media. Therefore as shown in the Accountant's Report in Appendix I to this document, the financial information of Beijing Wisdom Media has been combined into the Group for the Track Record Period, as a wholly-owned subsidiary of the Group.

Immediately prior to the Reorganization, the Group's operations were carried out by Beijing Wisdom Media and its subsidiaries, which were under the control of Ms. Ren. Pursuant to the Reorganization, Beijing Wisdom Media and its subsidiaries are under the effective control of the Company through the Structured Contract arrangements. As the Reorganization does not result in any changes in the substance, management and control of the Group's business, the financial information of the Group is presented on a combined basis using the carrying values of Beijing Wisdom Media and its subsidiaries for the Track Record Period. With the completion of the Reorganization on June 24, 2013 Beijing Wisdom Media will effectively become our indirect subsidiary and we will subsequently consolidate the financial results of Beijing Wisdom Media and its subsidiaries.

OUR OPERATING ENTITIES IN THE PRC CONTROLLED THROUGH THE STRUCTURED CONTRACTS

As at the Latest Practicable Date, our Company has indirect interests in and contractual arrangements with the following subsidiaries, particulars of which are set out below:

Name of company	Date of incorporation/ establishment	Issued/registered and paid-up capital	Attributable interest to our Company	Principal activities
Beijing Wisdom Media	December 26, 2006	RMB60,000,000	100%(1)	Content production of automobile culture, production of automobile TV programs and special films, and editing and operation of the automobile column in magazines
Car Culture Advertising	August 25, 2010	RMB5,000,000	100%(1)	Dormant(2)
Shanghai Zhizhen	July 10, 2007	RMB500,000	100%(1)	Dormant(2)
Guangzhou Qibu	December 24, 2009	RMB3,000,000	100%(1)	Dormant(2)
Xinchuang Branding	January 25, 2011	RMB1,000,000	100%(1)	Dormant(2)
Wisdom Leadership	January 25, 2011	RMB1,000,000	100%(1)	Dormant(2)

Notes:

(1) *Controlled by our Company through the Structured Contracts.*

(2) *The business of these subsidiaries have been transferred to Zhejiang Wisdom Sports and Zhejiang Wisdom Advertising as part of the Reorganization.*

The following sets forth the respective corporate history of our operating entities in the PRC controlled through the Structured Contracts since their respective dates of incorporation.

Beijing Wisdom Media

Beijing Wisdom Media is principally engaged in the content production of automobile culture, production of automobile TV programs and special films, and editing and operation of the automobile column in magazines, and it is one of our principal operating subsidiaries through the Structured Contracts.

Beijing Wisdom Media, formerly known as Beijing Wisdom Shangcheng Advertising Limited (北京智美尚成廣告有限公司), was established as a limited liability company in the PRC with a registered and paid up capital of RMB500,000 on December 26, 2006. On April 28, 2008, the registered and paid up capital of Beijing Wisdom Media increased to RMB2,000,000, which was in turn increased to RMB21,000,000 on October 19, 2009, and further to RMB23,333,333 on December 21, 2009.

In December 2009, Beijing Wisdom Media and its then shareholders entered into an agreement (the "2009 Investment Agreement") with Shenzhen Capital and its subsidiary, Beijing Hongtu Jiahui Venture Investment Co., Ltd as new investors, pursuant to which the new investors acquired 10% equity interest of

Beijing Wisdom Media by way of subscription of new share capital. Under the 2009 Investment Agreement, the then existing shareholders of Beijing Wisdom Media agreed to re-acquire the investment from the new investors at principal plus 8% annual interest or the net asset value attributable to such investment (whichever higher) if Beijing Wisdom Media, among other things, did not complete [●], or incurred a loss exceeding a certain percentage of its net asset value, which has been terminated by a supplemental agreement to the 2009 Investment Agreement in June 2011. Under a separate clause of the same agreement, Ms. Ren pledged to provide cash compensation to the new investors of Beijing Wisdom Media if Beijing Wisdom Media does not achieve certain net income targets for the years ended December 31, 2009 and 2010. Subsequently, Beijing Wisdom Media achieved the net income targets for the years ended December 31, 2009 and 2010. Following the Reorganization, Avance Holdings was introduced as a shareholder of our Company to reflect the existing shareholding interest of Shenzhen Capital in Beijing Wisdom Media before the Reorganization. The investment made by Avance Holdings is not subject to lock-up and any special rights.

Transformation from a limited liability company to a joint stock company

Pursuant to a resolution of the shareholders of Beijing Wisdom Media passed on May 10, 2010, Beijing Wisdom Media was transformed from a limited liability company to a joint stock company under the new name of Beijing Wisdom Media Holding Co., Limited (北京智美傳媒股份有限公司), with registered and paid up capital of RMB60,000,000 of RMB1.00 each. The promoters of the new joint stock company were the 23 existing equity holders. The initial shareholders of Beijing Wisdom Media as a joint stock company are as follows:

Name of shareholder	Number of shares held	Shareholding percentage
Ms. Ren	31,266,000	52.11%
Shi Libin (史立斌)	5,940,000	9.9%
Sheng Jie (盛杰)	5,076,000	8.46%
Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司)	3,495,600	5.826%
Beijing Hongtu Jiahui Venture Investment Co., Ltd (北京紅土嘉輝創業投資有限公司) (note)	2,504,400	4.174%
Cao Yi (曹怡)	1,350,000	2.25%
Shen Guirong (沈貴榮)	1,080,000	1.8%
Wang Zhiqiang (王志強)	1,080,000	1.8%
Wang Jianchang (王建昌)	1,080,000	1.8%
Peng Xiaoguang (彭曉光)	1,080,000	1.8%
Li Zhihua (李志華)	1,080,000	1.8%
Guo Ruilin (郭瑞林)	1,080,000	1.8%
Chen Feihua (陳飛華)	1,080,000	1.8%
Gong Tai (龔泰)	540,000	0.9%
Qin Ying (秦鷹)	540,000	0.9%
Chen Li (陳力)	540,000	0.9%
Sun Fulin (孫福麟)	324,000	0.54%
Sun Jingli (孫京麗)	270,000	0.45%
Dai Peng (戴鵬)	270,000	0.45%
Zhang Qi (張琦)	108,000	0.18%
Zhang Han (張晗)	108,000	0.18%
Xi Zhengsheng (希正生)	54,000	0.09%
Chen Bin (陳斌)	54,000	0.09%
Total	60,000,000	100%

Note: Beijing Hongtu Jiahui Venture Investment Co., Ltd. is a subsidiary of Shenzhen Capital.

On June 14, 2011, Ms. Ren entered into a share transfer agreement with Zhang Qi, pursuant to which Zhang Qi transferred her 0.18% interest in Beijing Wisdom Media to Ms. Ren at par. On July 29, 2011, Xi Zhengsheng entered into a share transfer agreement with his wife, Han Fang, and his son, Xi Wang, respectively, pursuant to which Xi Zhengsheng transferred 27,000 shares in Beijing Wisdom Media at nil consideration to each of Han Fang and Xi Wang. Upon completion of these transfers, Beijing Wisdom Media was owned as to 52.29% by Ms. Ren, 9.9% by Shi Libin, 8.46% by Sheng Jie, 5.826% by Shenzhen Capital, 4.174% by Hongtu Jiahui, 2.25% by Cao Yi, a former employee, 0.18% by Zhang Han, 0.09% by Chen Bin, a former employee, and 0.045% by each of Han Fang and Xi Wang, family members of the late Xi Zhengsheng, a former employee. The remaining 16.74% was held by the other 13 individual shareholders, including business affiliates of the Group, to whom Beijing Wisdom Media issued shares in order to provide an additional incentive to promote the Group's business.

A majority of the shareholders of Beijing Wisdom Media hold interest in the Company through their shareholding in Queen Media, Top Car and Lucky Go. Ms. Han Fang, Ms. Sun Jingli, Mr. Gong Tai and Mr. Xi Wang, four shareholders of Beijing Wisdom Media, holding an aggregate of 1.44% equity interest therein, decided not to subscribe for shares of the Company and not to hold indirect interest in the Company due to personal reasons.

Car Culture Advertising

Car Culture Advertising was established as a limited liability company in the PRC on August 25, 2010 with a registered and paid up capital of RMB5,000,000. Since the establishment of Car Culture Advertising, it has been a wholly-owned subsidiary of Beijing Wisdom Media.

Shanghai Zhizhen

Shanghai Zhizhen was established as a limited liability company in the PRC with a registered and paid up capital of RMB500,000 on July 10, 2007. Throughout the Track Record Period and as of the Latest Practicable Date, it has been a wholly-owned subsidiary of Beijing Wisdom Media.

Guangzhou Qibu

Guangzhou Qibu was established as a limited liability company in the PRC with a registered and paid up capital of RMB3,000,000 on December 24, 2009. Since the establishment of Guangzhou Qibu, it has been a wholly-owned subsidiary of Beijing Wisdom Media.

Xinchuang Branding

Xinchuang Branding was established as a limited liability company in the PRC with a registered and paid up capital of RMB1,000,000 on January 25, 2011. Since the establishment of Xinchuang Branding, it has been a wholly-owned subsidiary of Beijing Wisdom Media.

Wisdom Leadership

Wisdom Leadership was established as a limited liability company in the PRC with a registered and paid up capital of RMB1,000,000 on January 25, 2011. Since the establishment of Wisdom Leadership, it has been a wholly-owned subsidiary of Beijing Wisdom Media.

Prior to the reorganization, we operated our advertising services business through Car Culture Advertising and Xinchuang Branding, and our sports competitions organization business through Beijing Wisdom Media.

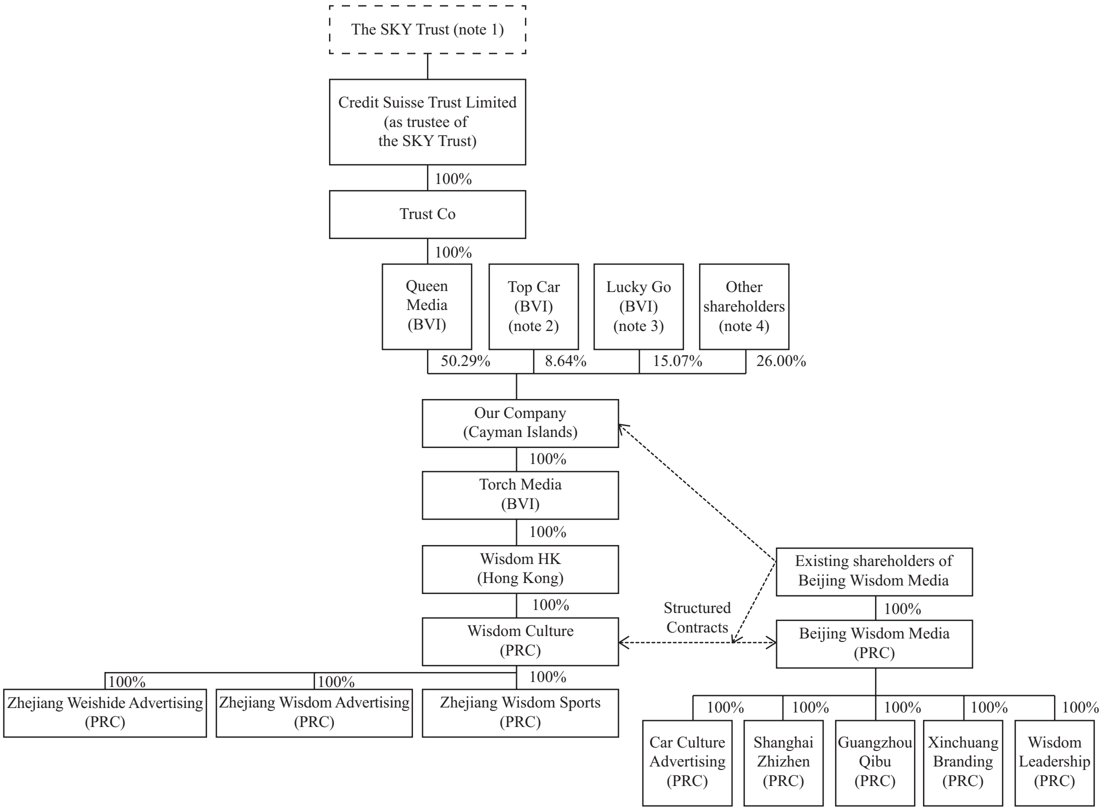
As part of the reorganization, we have transferred our advertising services business and sports competitions organization business mentioned above to Zhejiang Wisdom Advertising and Zhejiang Wisdom Sports respectively. Such transfer was effected by way of replacing the original signing parties with Zhejiang Wisdom Advertising or Zhejiang Wisdom Sports (as the case may be) in the service agreements between our clients and us on renewal of such agreements or otherwise as agreed between our clients and us, to the effect that the rights and responsibilities of the original signing parties would be assumed by Zhejiang Wisdom Advertising or Zhejiang Wisdom Sports (as the case may be).

Shanghai Zhizhen was engaged in advertising business in magazines, which was discontinued by the Group. Guangzhou Qibu and Wisdom Leadership were not engaged in any material business before the reorganization.

The Company plans to dissolve those subsidiaries of Beijing Wisdom Media in the long run.

CORPORATE AND SHAREHOLDING STRUCTURE OF OUR GROUP AFTER COMPLETION OF THE REORGANIZATION

After completion of the Reorganization:



Note:

1. *The SKY Trust is a family trust established by Ms. Ren and with Ms. Ren and her family members as discretionary beneficiaries.*
2. *Top Car is held as to 88.42% by Ms. Ren, 5.79% by Sheng Jie and 5.79% by Zhang Han, all of whom are natural persons.*
3. *Lucky Go is held as to 33.13% by Ms. Ren, 7.74% by Cao Yi, 6.19% by Shi Libin, 6.19% by Peng Xiaoguang, 6.19% by Guo Ruilin, 6.19% by Wang Zhiqiang, 6.19% by Li Zhihua, 6.19% by Wang Jianchang, 6.19% by Chen Feihua, 6.19% by Shen Guirong, 3.10% by Qin Ying, 3.10% by Chen Li, 1.86% by Sun Fulin and 1.55% by Dai Peng, all of whom are natural persons.*
4. *These shareholders include Guan Xin Investments Limited, Merits Gain Investments Ltd., Avance Holdings Limited, Simplicio Universal Limited, Horoy Enterprise Holdings Limited, Horoy International Holdings Limited, Joy Thought Holdings Limited, New Kingleader Holdings Limited and Sunny Stone Limited. For information on their respective shareholding, please refer to "History and Reorganization — Investments".*

OVERVIEW

We are a media investment management[(1)] services provider, TV programs producer and distributor and sports competitions organizer in China. Our business of media investment management and branding and identity services contributed 68.7% and 79.8% of our total gross profit and total revenue in 2012, respectively. We believe we distinguish ourselves from traditional advertising companies in China by providing not only conventional branding services, but also producing TV programs and organizing sports competitions. Our program production and sports competitions organization businesses enjoyed higher profit margins compared with our branding business during the Track Record Period. We believe that our continued emphasis on program production and sports competitions organization businesses will enable us to leverage on the higher growth potential that these businesses can offer. We believe that our emphasis on program production and sports competitions organization businesses also reflects the development trend in the marketing communications industry in China. Our main clients include automobile companies and other high-end brand owners, as well as the advertising agencies that represent them. According to a report prepared by Ipsos, an international market research firm, we ranked first among automobile-related TV program production companies in China in terms of production hours of automobile-related TV programs in 2012.

We began our business in 2006 and currently offer our services through three business units, namely, Wisdom Program, Wisdom Sports and Wisdom Branding. Wisdom Program focuses on the production of video programs that are broadcasted on television and through the Internet to personal computers and mobile devices. We launched a new TV variety show entitled "Lucky Go (週末駕到 /天天駕到)" in November 2012, which is currently broadcasted nationwide through Chongqing Satellite TV. We will continue to re-allocate our attention and resources to focus on producing new TV programs which will better cater for the needs of TV audience. Wisdom Sports organizes, manages and promotes domestic and international sports competitions and other marketing events, particularly those that are automobile-related. We have cooperated with international sports organizations or government authorities and organized sports competitions in China, such as "FIM Freestyle Motocross World Championship (國際摩聯花式極限摩托世界錦標賽)", "China Classic Car Rally (老式汽車中國拉力賽)" and "Guangzhou Marathon (廣州馬拉松)". Wisdom Branding offers media investment management and branding and identity services, in part by leveraging on our exclusive rights to advertising time slots for selected TV programs on nationally broadcast television channels of CCTV, China's largest television network. We received the "Integrated Marketing Communications Award of Automobile Industry in China (中國汽車行業整合傳播大獎)" in 2012. We summarize our vision and commitment with the slogan "傳播中國智慧".

The majority of the services we provide relate to China's fast-growing automobile industry, particularly the passenger vehicle industry. According to the China Association of Automobile Manufacturers, production of passenger vehicles (by unit) in the PRC grew by a CAGR of 35.3% from 2001 to 2011. Through our long-term services for many leading domestic or foreign-invested automobile companies in China, including GAC Toyota Motor Co., Ltd., or GAC Toyota (廣汽豐田), and BYD Auto Co., Ltd., or BYD (比亞迪), we have acquired a deep understanding and extensive knowledge of the evolving preferences and behavior of Chinese consumers with higher-than-average disposable income. Such understanding and knowledge has helped us successfully serve other non-automotive high-end brand owners, including those in the financial products, consumer electronics, wine and liquor, high-end apparel and tourism industries, that target similar consumer groups. This has allowed us to diversify our client base. During the Track Record Period, we served 314 brands, of which 105 were in the automobile industry and 209 were in non-automobile industries. Our revenues (inclusive of sales-related taxes) generated from non-automobile-related brand owners accounted for approximately 32.9%, 40.6% and 60.3% of our revenues (inclusive of sales-related taxes) in 2010, 2011 and 2012, respectively. This trend shows our increasing level of client diversification.

(1) A type of business in which the service provider purchases advertising resources from media operators and generates revenues from sales of relevant advertising resources to its clients. Such service provider typically acts as the principal rather than the agent in rendering media investment management services and bears the inventory risks of the advertising resources secured by it from the media operators.

We have experienced significant growth in our business during the Track Record Period. Our revenues increased from RMB298.2 million in 2010 to RMB471.4 million in 2011, and further to RMB557.2 million in 2012, representing a CAGR of 36.7%. Our profit for the year increased from RMB57.4 million in 2010 to RMB85.5 million in 2011, and further to RMB132.0 million in 2012, representing a CAGR of 51.6%.

Competitive Strengths

We believe we have the following competitive strengths:

Our program production and sports competitions organization businesses target the general public leveraging on our profound local knowledge and experience in China

With the rapid development of Chinese economy, clients pay more attention to the professional skill, diversification of media resources and creativity of program production in the selection of marketing communications services providers. There is an increasing focus on providing integrated services to meet our clients' evolving marketing requirements. We are one of the service providers in China that can combine marketing communications services with capabilities in program production and sports competitions organization. We believe that few marketing communications services providers in China could meet such marketing requirements due to regulatory and policy restrictions against foreign ownership of TV program production companies, the scarcity of high-quality media resources, the shortage of professional program producers and high capital investment in the organization of large-scale sports competitions. Leveraging our knowledge and experience in providing branding services to corporate clients and our wide service offerings, we are also able to offer innovative marketing channels through TV programs and sports competitions to satisfy their demands for marketing communications services.

We believe we have a better understanding of the PRC market than international marketing communications firms and are more attuned to the latest local consumer needs, behaviors, preferences and trends, particularly those of Chinese consumers with higher-than-average disposable income, which enables us to produce entertainment TV programs and organize sports competitions that are well recognized by the general public and can reach our corporate clients' target end-customers more effectively. We have produced high-quality and innovative TV programs in China, including "Lucky Go (週末駕到 /天天駕到)", "Driving Fashion (駕尚)", "CCTV Automobile of the Year (CCTV 中國年度汽車評選)" and "Special Report on International Automobile Exhibitions (國際車展特別報導)", and organized new automobile-related and other sports competitions, such as "FIM Freestyle Motocross World Championship (國際摩聯花式極限摩托世界錦標賽)", "China Classic Car Rally (老式汽車中國拉力賽)" and "Guangzhou Marathon (廣州馬拉松)". In addition to generating revenues from our corporate clients, we are also able to generate revenues from the general public through the TV programs produced by us and sports competitions organized by us.

Our integrated business model provides us with multiple revenue streams and enhances our cost efficiency

We have distinguished ourselves from many of our competitors by providing customized marketing communications services that leverage on the strengths of our three business units, namely, Wisdom Program, Wisdom Sports and Wisdom Branding. We possess all necessary qualifications and permits to produce TV programs, organize sports competitions and provide branding services for our clients, particularly the Permit for Production and Operation of Radio and TV Programs (廣播電視節目製作經營許可證). Wisdom Branding brings its client base to us and serves as the main source of our revenues. Wisdom Program strengthens our brand recognition and offers embedded advertisements in TV programs as a marketing communications platform for corporate clients. Wisdom Sports organizes large-scale sports competitions which enable our clients to have direct access to end-consumers and provides us with the access to the international market. We also put strong emphasis on catering to the demands of our clients, particularly automobile-related clients, in the selection of product and services offered by Wisdom Program and Wisdom Sports.

The integration of our services has enabled us to meet the diverse marketing requirements of each of our clients, reach a wider range of high-end consumers and offer our clients a rich selection of marketing channels. We maintain coordination among the three business units and create cross-selling opportunities depending on our clients' preferences and strategies in choosing marketing communications services. With shared knowledge base, skilled professionals, creative ideas and marketing information across the three business units, we are able to improve the quality of our new products and services by evaluating their feasibility from various aspects and promptly collecting feedback from existing clients. In addition, due to cost efficiency generated by our integrated operations, we are able to provide our services at competitive prices.

We are a sports competitions organizer and media products provider with expertise in China's fast-growing automobile industry and are developing a diverse customer base

We are a sports competitions organizer and media products provider with expertise in the fast-growing automobile industry in the PRC, particularly the passenger vehicle segment. Since the commencement of our business operations in 2006, we have focused on providing marketing communications services to automobile-related clients. We have established relationships with most of the leading automobile manufacturers or their agents in China. According to Ipsos, as of December 31, 2012, there were 41 automobile companies in the passenger vehicle market in China. During the Track Record Period, we have served 34 of these 41 automobile companies. We have had long-standing business relationships with over 30 domestic or foreign-invested automobile companies in China, including GAC Toyota (廣汽豐田) and BYD (比亞迪).

As a sports competitions organizer and media products provider in China, we have gained a deep understanding and extensive knowledge of the evolving preferences and behaviors of Chinese consumers with higher-than-average disposable income, which gives us a competitive advantage when serving other high-end consumer brands. Since 2010, leveraging our rich experience and good reputation in the automobile and related industries, we have successfully expanded our clientele to also include the financial products, consumer electronics, wine and liquor, high-end apparel and tourism industries. During the Track Record Period, we served 314 brands, of which 209 were in non-automobile industries.

The quality of the service offerings and access to media resources of each of our business units have been recognized by our clients and industry peers, which resulted in our receiving numerous industry awards, such as "Media Company with Most Influential Brand (最具品牌影響力傳媒公司)" in 2010, "CV Awards Top 100 Growth Companies of the Year (CV Awards 最具潛力企業 100)" in 2010, "Golden Partner Award of China Advertising Great-Wall Awards for Advertisers (中國廣告長城獎廣告主獎－金伙伴獎)" in 2011 and 2012, "Chinese Advertisement Company with Golden Comprehensive Strategy (中國廣告金牌綜合策略公司)" in 2011 and 2012, "Integrated Marketing Communications Award of Automobile Industry in China (中國汽車行業整合傳播大獎)" in 2012, and "Award of Outstanding Contribution to Automobile and Motorcycle Sports in China (中國汽車摩托車運動突出貢獻獎)" in 2012.

We have developed business relationships with selected media operators in China with an integrated coverage by CCTV, satellite and local TV channels

We have developed business relationships with selected media operators in China and offer our clients effective access to their target audience and potential customers through these media operators, including CCTV, satellite and local TV channels. In selecting our cooperation partners, we take into account several factors, including the reputation and market recognition of the media operator, target audience, geographic coverage and rating of the media operator.

Following the revamping of programs on Chongqing Satellite TV in early 2012, we timely launched a new TV variety show entitled "Lucky Go (週末駕到 / 天天駕到)", which is currently broadcasted nationwide through Chongqing Satellite TV. As of December 31, 2012, our TV program "Driving Fashion (駕尚)" was broadcasted on over 120 local TV channels. Since 2007, we have jointly produced annual special programs with CCTV-Finance for "CCTV Automobile of the Year (CCTV中國年度汽車評選)", which is one of the main annual automobile industry awards in China. We also produced the "Special Report on International Automobile Exhibition (國際車展特別報導)" since 2008, which covers the highest level of international automobile exhibitions held in China. In addition, we have cooperated with CCTV to develop our media investment management business and secured quality advertising time slots for selected nationally broadcasted TV programs of CCTV-News, including "World Express (國際時訊)", "News Weekly (新聞週刊)", "World Weekly (世界週刊)" and "Oriental Horizon (東方時空)". We have established a network of TV channels and media platforms which provide media resources with diverse geographic coverage and viewer access and offer more options to our clients.

We have a strong and stable management team with extensive industry experience and a track record, supported by other skilled managers and professionals

Our management team has an average of more than 11 years of experience in our industry, and most have worked together since the establishment of our company to lead our rapid growth. For example, our president and CEO, Ms. Ren Guozun (任國尊), was involved in producing or organizing some of the most successful TV programs and events for the automobile industry in China, including the "Commemoration of the 50th Anniversary of Chinese Automobile Industry (中國汽車工業五十周年慶典)", the main automobile industry award program in China ("CCTV Automobile of the Year (CCTV 中國年度汽車評選)"), and the official fuel efficiency challenge for passenger vehicles ("National Urban Automobile Fuel Efficiency Extreme Challenge (全國汽車節油極限挑戰賽)"). Ms. Ren was also invited to serve as a judge for the selection of "Effie Media Awards (艾菲獎)" in 2011, a major award in advertising industry, and acted as the executive vice president of the nomination committee of the 3rd Forum on Film Editing & Development of Chinese Cinema cum Person of the Cinema Award 2012 (第三屆中國電影發展論壇暨2012電影推動力論壇), a famous award in the PRC film industry. Our Executive Director, Mr. Zhang Han (張晗), has expertise in the sale of media resources and was the producer of numerous automobile-related TV programs. Our management team's in-depth understanding of the PRC automobile industry is an important factor in attracting and retaining high quality clients, which has allowed us to gain a strong reputation in the marketing communications industry in China.

We also have a team of skilled and reputable managers and professionals. For example, Mr. Ye Jianhua (葉劍華), our manager of Wisdom Sports, has extensive experience in the organization and management of sports competitions. Mr. Xue Zhentian (薛振添), our general supervisor for creative department, has more than 20 years of expertise in brand promotion of automobiles and the target customers of automobile companies and has won many international and domestic advertisement awards, such as an award at The New York Festivals, a major international advertisement event. Mr. Li Chao (李潮), our assistant to president, has more than 20 years of expertise in the automobile-related marketing communications industry and maintains close relationships with numerous automobile companies. Mr. Shi Zhenghong (石正宏), our deputy manager of Wisdom Program, is an expert in the production of various types of TV programs and has 16 years of prior work experience at CCTV. Our experienced and stable management team, supported by other skilled managers and professionals, provides a foundation for the execution of our strategies and achievement of our goals.

Business Strategies

We intend to strengthen our position by implementing the following strategies:

Introduce international sports competitions to China, develop new sports competitions and extend our involvement in the industry value chain for sports competitions by launching related derivative products and services

As a service provider integrating sports competitions organization and program production, we will continue to produce different categories of TV programs for the sports competitions organized by us and distribute such TV programs through our media platforms comprising CCTV, satellite TV and local TV channels. We plan to generate revenues from sales of copyrights of such TV programs and grant of television broadcasting rights to sports competitions organized by us to media operators. We believe that such operation model will enhance the brand recognition of Wisdom Sports and increase the popularity of our competitions among the general public.

In addition, we plan to further extend our involvement in the industry value chain for sports competitions in various ways. We intend to launch training programs in China in connection with the sports competitions organized by us, such as training courses for freestyle motocross, car racing and other extreme sports, introduce foreign coaches and training materials to China, and develop a business model combining sports competitions organization, commercial promotion and training. We will continue to cooperate with international sports organizations and introduce to China sports competitions which are popular and commercially viable. We plan to develop a series of sports competitions entitled "Sports in China (運動中國)", which include water sports, air sports and car racing, integrated with the presentation of Chinese history, culture and social development. In May 2013, we entered into an agreement with the Aviation Radio Model Sports Management Center of the PRC's State Sports General Administration (國家體育總局航空無線電模型運動管理中心) to organize a hot air balloon championship in China in November 2013. We also plan to organize a new marathon in Hangzhou, which is subject to formal agreement and final decision of the Company, in the second half of 2013 and new marathon(s), another new hot air balloon competition and a new motorcycle-related competition in China in 2014. We will also explore opportunities for the commercial development and operation of international motor racing tracks. Furthermore, we intend to acquire the right to organize and promote more sports competitions and related television broadcasting rights, including the right to organize some of our sports competitions in foreign countries.

Continue to develop new media channels for our program production business and explore e-commerce opportunities

We intend to further introduce new TV programs that reflect the latest consumer preferences and trends. For example, in May 2013, we entered into a letter of intent with a satellite TV channel in China for the production of a military-themed TV program by us, tentatively scheduled to be broadcasted on the satellite TV channel in the second half of 2013, and the exploitation of commercial resources derived from the TV program. We also plan to launch two new entertainment TV programs in 2014. We will continue to re-allocate our attention and resources to focus on producing new TV programs which will better cater for the needs of TV audience.

Increasing consumer acceptance of technology-driven advertising and entertainment media formats and channels, including the Internet, advanced mobile communications systems and outdoor media, is an emerging trend in the media industry in China. We intend to identify and take advantage of new media formats and platforms, such as social media, and innovative marketing techniques in order to facilitate access to target consumer groups. We plan to explore e-commerce opportunities by integrating Internet, television and mobile media platforms associated with our TV program "Lucky Go (週末駕到 /天天駕到)". We have set up an e-commerce platform to be launched based on our website (www.luckygo.com.cn), which presents information on automobiles from various aspects and combines our above-the-line and below-the-line marketing resources. We have developed an online registration system for our TV programs and plan to develop an electronic ticket sales system for our sports competitions and an online car sales system on this e-commerce platform. We are in the process of creating a user base comprising the audience of the TV programs produced by us and the participants of the sports competitions organized by us. For example, the potential contestants of "Lucky Go (週末駕到 /天天駕到)" who register with our website but are not selected to participate in the program will be offered a group purchase opportunity to buy automobiles at discounted prices. By continuing to broaden our media channels and extend our involvement in the industry value chain, we expect to expand the scope of our services and our product reach to wider consumer demographics, so as to further increase our value to our existing clients and attract new clients, and capture a greater share of our clients' media spending.

Strengthen our research and development initiatives and enhance our proprietary consumer information database and media information database to improve our capabilities in providing branding and identity services

We intend to strengthen our research and development initiatives in order to better understand our clients' business needs and adapt to the changing trends of the marketing communications industry. For example, we are in the process of building up a research team dedicated to (i) researching evolving industry trends and consumer behavior and preferences, (ii) researching new and innovative media platforms and channels, and (iii) developing new products and services.

In addition, we intend to further organize and utilize the large amount of proprietary consumer information accumulated through our years of involvement in program production and sports competitions organization services to track and analyze consumer preferences and evolving trends. We believe the data gathered directly by us is more reliable and relevant to our business than data provided by third parties. We plan to further enhance this database by improving our data collection methods and analysis tools. This database will allow us to provide better services to our existing clients by precisely targeting the potential consumers for their products. It also represents another tool that can help us further expand the scope of our corporate clients to more high-end consumer brands. In addition, we intend to seek opportunities to leverage on our consumer information database to generate additional revenue. We are also in the process of enhancing our media information database to analyze viewership rates of media resources and customer preferences for media resources.

Based on our understanding and knowledge of consumers and media resources, we intend to enhance the breadth and depth of the branding services provided to our key clients, particularly our automobile clients, by offering additional branding and identity services. Our full range of services will encompass the development of a focused brand strategy, brand planning, market research, event planning and implementation, public relations management, program production, media investment management and advertisement agency. We expect these services to create more cross-selling opportunities for our other businesses. Leveraging on our expertise in program production and our access to diverse media channels, we aim to serve as an integrated services provider to cater to our clients' marketing and communications needs, and in turn enable them to achieve their goals of increasing product sales, higher market share, and brand value enhancement in the PRC market in an efficient manner.

Enhance the business-to-customer profit model through producing entertainment TV programs and organizing sports competitions targeting the general public

In addition to serving our corporate clients, we produce entertainment TV programs and organize sports competitions targeting the general public. Through the offering of these services, we are able to not only generate revenues from corporate clients, but also generate revenues from the general public from various sources, such as ticket sales to spectators, registration fees from contestants and the sale of related licensed merchandise in connection with the sports competitions organized by us. We plan to further explore market potential offered by activities involving participation by the general public and make greater efforts in the development and launch of new business-to-customer products and services. To better integrate with our current business operations, we will focus on products and services in program production, sports competitions organization and e-commerce which target the general public. Leveraging our familiarity with the automobile industry, we will also focus on designing automobile-related products and services with direct access to or impact on the general public, such as automobile clubs. With the participation of the general public, we expect to generate revenues from new sources, such as the training fees and membership fees in connection with various sports competitions organized by us. We believe that we can maximize our profitability by developing the business-to-customer model and strengthen positive synergy with our services for corporate clients.

Expand our market share and geographic presence through our own development and production efforts or by pursuing acquisitions of new media resources or businesses

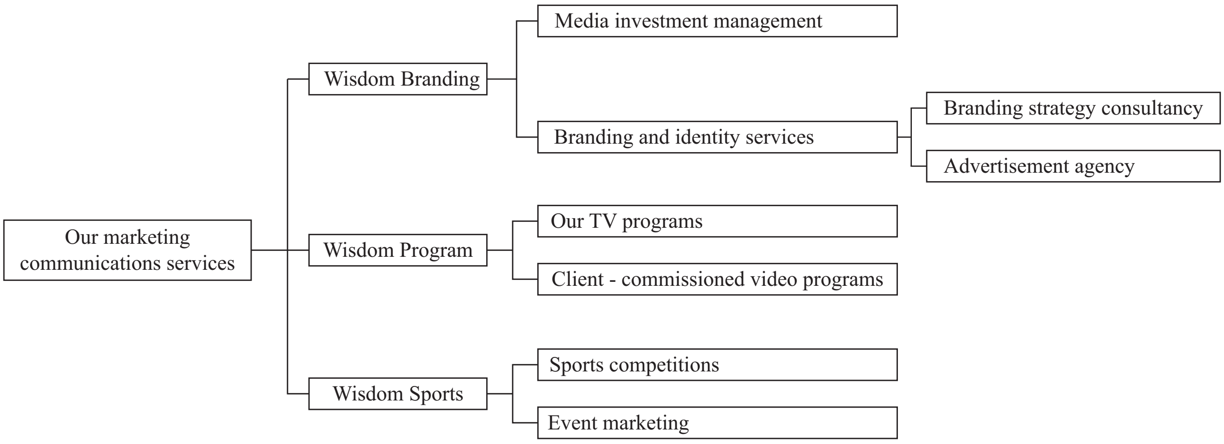
We intend to selectively introduce additional international entertainment to the PRC market and tailor them to the latest consumer preferences and trends in China. For example, we will continue to explore opportunities for producing new TV programs by reference to popular overseas TV programs. We also plan to acquire the right to organize some popular international sports competitions in foreign countries.

In addition, we plan to provide marketing communications services targeting overseas markets to Chinese companies with an international business presence. We may seek to enhance our international capabilities to address the different needs of our clients, in particular the needs of domestic companies seeking to enter the international market, by pursuing acquisitions of international media resources or businesses. As of the Latest Practicable Date, no specific target had been identified.

OUR MARKETING COMMUNICATIONS SERVICES

We offer our marketing communications services through three business units, namely, Wisdom Program, Wisdom Sports and Wisdom Branding. All of these three business units target the general public when formulating the marketing communications strategies and generate most of their revenues from corporate clients. In addition, these three business units offer marketing platforms that are commonly used by corporate clients. To differentiate our business from the business of many traditional advertising companies which only generate revenues from sale of advertising resources purchased from third parties with monetary consideration, Wisdom Program produces TV programs in exchange for advertising time slots and other types of advertising resources which are then on-sold to our clients and in Wisdom Sports, we generate revenues from the sale of advertising space, naming rights and tickets associated with sports competitions organized by us. In Wisdom Branding, we receive revenues from sale of advertising time slots acquired from CCTV and other media resources. With shared knowledge base, skilled professionals, creative ideas and marketing information across the three business units, we are able to improve the quality of our new products and services by evaluating their feasibility from various aspects and promptly collecting feedback from existing clients. In addition, due to cost efficiency generated by our integrated operations, we are able to provide our services at competitive prices. Therefore, we believe that these three business units are closely inter-related. To maintain our integrated approach, we will strike a balance of the development of our three business units and will continue to implement consistent quality control measures and service standards across the various business units. With our diversified service and product offerings and the cross-selling opportunities among our three business units, we are able to increase the aggregate spending of our clients and further strengthen the customer loyalty. In addition, as our TV programs, sports competitions and marketing events may be broadcasted or presented on various media platforms, we realize the goal of multiple sales through one-time investment. Therefore, as we continue to exploit the commercial potentials of our Wisdom Program and Wisdom Sports units, which generally have enjoyed higher profit margins compared with our Wisdom Branding unit, we believe that our overall gross margin would increase.

The following diagram illustrates the types of marketing communications services regularly provided by us during the Track Record Period:



Wisdom Branding

Wisdom Branding offers media investment management and branding and identity services. We leverage on our thorough understanding of the PRC automobile industry and marketing expertise to customize for our clients branding services.

For media investment management business, we generate revenues from selling the TV advertising time slots and advertising space that we purchased from media operators to our clients and recognize as our revenues the amounts paid to us by our clients. Our existing exclusive rights to advertising time slots for five CCTV programs will be due for renewal at the end of 2013. We cannot assure you that our existing exclusive rights to advertising time slots for the five CCTV programs will be renewed after the end of 2013. For the risk relating to the renewal of our existing exclusive rights to advertising time slots for the five CCTV programs, see "Risk Factors — Our cooperative relationship with CCTV and other media resources has been, and is expected to continue to be, critical to our business and financial performance. Failure to enter into new, or renew, the existing exclusive agreements with CCTV and other media resources on commercially feasible terms or at all would materially and adversely affect our business, results of operations and financial condition". Our branding and identity services offer (i) branding strategy consultancy services, and (ii) advertisement agency services to our clients. We receive revenues from our clients for our consultancy work and our design of promotional packages in our branding strategy consultancy services. We also derive revenues for advertisement agency services from the commissions paid by our clients, which typically represent the difference between the price we charge to our advertising clients and the price we pay for available advertising time slots.

Media investment management services

Under our media investment management business, we secure the advertising time slots for selected TV programs on CCTV and advertising space from other media operators and sell these advertisement resources to our advertising clients. For the advertising resources to which we have secured exclusive rights, potential clients can only purchase relevant advertising resources from us. We set the listed prices of our advertising time slots within a 5% deviation from the listed prices of advertising time slots on the same TV channel at similar broadcasting time by taking into account of various factors, including the rating and target audience of the relevant TV programs where the advertisements will be broadcasted, our sales capability, general market conditions and market demand. We use these listed prices as a basis of negotiations with our clients and we typically provide discounts to such listed prices to our customers with reference to, amongst others, pricing of comparable time slots, viewership rates of the program, volume of purchase and any history of cooperation. Due to the market recognition of advertising time slots for those selected CCTV programs and the strong capabilities of our sales team, we believe we had a track record in the sales of relevant advertising time slots. CCTV has been increasing the prices charged to us for many of its advertising time slots each year, and we expect that CCTV will continue to raise such prices in the future. We have increased our listed prices each year correspondingly during the Track Record Period to ensure that we are able to cover increases in media costs in the prices we charge our clients and thus sustain our expected profit margin. We were able to pass on these price increases to our clients during the Track Record Period and believe that we will be able to do so in the future.

The chart below sets forth a summary of our advertising time slots at CCTV:

TV program	TV channel	Broadcast schedule	Advertising time per episode	Period
World Express (國際時訊)	CCTV-News	22:00-22:30, Monday to Friday	120 seconds	January 2010 to December 2013
News Weekly (新聞週刊)	CCTV-News	22:15-23:00, Saturday	120 seconds	January 2010 to December 2011
			60 seconds[(1)]	January 2012 to December 2012
			120 seconds	January 2013 to December 2013
World Weekly (世界週刊)	CCTV-News	22:15-23:00, Sunday	120 seconds	January 2010 to December 2011
			60 seconds[(1)]	January 2012 to December 2012
			120 seconds	January 2013 to December 2013
Treasure Hunt (尋寶)	CCTV-1	18:00-18:52, Saturday	300 seconds	April 2010 to May 2010
			240 seconds	June 2010 to December 2010
			180 seconds	January 2011 to December 2011
			90 seconds[(1)]	January 2012 to December 2012
			120 seconds	January 2013 to December 2013
Oriental Horizon (東方時空)	CCTV-News	20:00-21:00, Monday to Sunday	150 seconds	November 2010 to December 2012
			120 seconds	January 2013 to December 2013

Note:

(1) *For the reason of reduction in advertising time slots for these three TV programs in 2012, see "— Media Resources and other Suppliers".*

The chart below sets forth the contract period of each relevant CCTV agreement and whether such CCTV agreement was entered into pursuant to renewal:

TV program	Contract period	Contract entered into pursuant to renewal
World Express (國際時訊)	January to December 2010	No(1)
	January to December 2011	Yes
	January to December 2012	Yes
	January to December 2013	No
News Weekly (新聞週刊)	January to December 2010	No(1)
	January to December 2011	Yes
	January to December 2012	Yes(2)
	January to December 2013	No
World Weekly (世界週刊)	January to December 2010	No(1)
	January to December 2011	Yes
	January to December 2012	Yes(2)
	January to December 2013	No
Treasure Hunt (尋寶)	April to December 2010	No(1)
	January to December 2011	Yes
	January to December 2012	Yes(2)
	January to December 2013	No
Oriental Horizon (東方時空)	November 2010 to December 2011	No(1)
	January to December 2012	Yes
	January to December 2013	No

Note:

(1) *Such CCTV agreements were entered into pursuant to our winning bids at CCTV's ad-hoc public auctions.*

(2) *We cooperated with Beijing Qili to exercise the renewal in practice through a business arrangement with CCTV, see "— Media Resources and other Suppliers"*

According to Ipsos, based on the information of weekly viewership rates among TV programs broadcasted on CCTV-1 and CCTV-News respectively during 2012 from a media research company, which conducts TV & radio audience measurement research in China and an Independent Third Party, the number of times "Treasure Hunt (尋寶)" ranked among the top 20 TV programs on CCTV-1 during 2012 was 47 times in the 53 weeks of polls for 2012; and the numbers of times "Oriental Horizon (東方時空)", "World Express (國際時訊)", "New Weekly (新聞週刊)" and "World Weekly (世界週刊)", ranked among the top 10 TV programs on CCTV-News during 2012 were 52 times, 50 times, 21 times and 27 times, respectively, in the 53 weeks of polls for 2012. The table below sets forth the average viewership rate for each of the five TV programs and, for comparison purpose, a range of weekly average viewership rate among top 10 TV programs during the Track Record Period:

Name of program	Channel	Average viewership rate (%)[1]		
		2010	2011	2012
Treasure Hunt (尋寶)[2]	CCTV-1	1.13	1.04	0.96
Top 10 TV programs		1.37 - 12.19	1.04 - 11.24	0.79 - 10.70
Oriental Horizon (東方時空)	CCTV-News	0.52	0.66	0.92
World Express (國際時訊)		0.50	0.61	0.83
New Weekly (新聞週刊)		0.51	0.55	0.73
World Weekly (世界週刊)		0.53	0.59	0.71
Top 10 TV programs		0.54 - 1.49	0.59 - 1.00	0.73 - 1.31

Source: Ipsos

Notes:

(1) Based on Ipsos, viewership rate is calculated by dividing the average number (per minute) of TV audience for a certain TV program during a specified time period by the average number (per minute) of selected sample population with TV ownership. Average viewership rate for each year was compiled by Ipsos, based on the top 20 programs (on CCTV-1) and top 10 programs (on CCTV-News) by weekly viewership rate (about 52 weeks per year); the average viewership rate was the average rate for all weeks during a year.

(2) "Treasure Hunt (尋寶)" was broadcasted on CCTV-1 from September 3, 2010 onwards, and broadcasted on CCTV-2 before that. The average viewership rate for "Treasure Hunt (尋寶)" in 2010 on CCTV-2 was 0.69%; and the whole year average viewership rate for "Treasure Hunt (尋寶)" in 2010 across CCTV-1 and CCTV-2 was 0.83%.

The chart below sets forth the listed prices for advertising time slots for the five TV programs during the period indicated:

	Listed prices for advertising time slots in a unit of					
	5 seconds	10 seconds	15 seconds	20 seconds	25 seconds	30 seconds
			RMB			
For the year ended December 31, 2010						
Oriental Horizon (東方時空)	47,000	75,000	88,000	125,000	—	167,000
World Express (國際時訊)	43,000	71,600	83,000	122,000	—	149,600
News Weekly (新聞週刊)	43,000	71,600	83,000	122,000	—	149,600
World Weekly (世界週刊)	43,000	71,600	83,000	122,000	—	149,600
Treasure Hunt (尋寶)	58,000	81,000	99,000	132,000	150,000	175,000
For the year ended December 31, 2011						
Oriental Horizon (東方時空)	55,000	87,000	102,600	145,000	166,000	188,000
World Express (國際時訊)	57,000	88,000	107,000	156,000	176,000	192,000
News Weekly (新聞週刊)	63,000	95,000	110,000	160,000	178,000	196,000
World Weekly (世界週刊)	63,000	95,000	110,000	160,000	178,000	196,000
Treasure Hunt (尋寶)	65,000	100,000	116,000	169,000	188,000	198,000
10pm primetime package(1) (22點黃金套)	57,000	88,000	107,000	—	176,000	192,000
News time package(2) (新聞時空套)	289,000/week	611,000/week	727,000/week	—	1,180,000/week	1,324,000/week
For the year ended December 31, 2012						
Oriental Horizon (東方時空)	70,000	110,600	133,000	184,000	—	240,000
World Express (國際時訊)	73,600	110,400	138,000	190,000	—	248,400
News Weekly (新聞週刊)	80,000	118,000	146,000	203,000	—	256,000
World Weekly (世界週刊)	80,000	118,000	146,000	203,000	—	256,000
Treasure Hunt (尋寶)	80,000	130,000	140,000	218,000	—	248,000
10pm primetime package(1) (22點黃金套)	73,600	110,400	138,000	190,000	—	248,400

Notes:

(1) Included advertising time slots for "World Express (國際時訊)" from Monday to Friday, "News Weekly (新聞週刊)" on Saturday and "World Weekly (世界週刊)" on Sunday.

(2) Included advertising time slots for "Oriental Horizon (東方時空)" from Monday to Friday, "News Weekly (新聞週刊)" on Saturday and "World Weekly (世界週刊)" on Sunday.

End-customers' advertising resources

As an industry practice during the Track Record Period, CCTV typically reserves its end-customers' advertising resources, including CCTV prime time advertising resources (黃金廣告資源) and CCTV subscription-based advertising resources (簽約認購類廣告資源) for its own sale, in the following ways. In respect of CCTV prime time advertising resources, CCTV holds annual public auctions in or around November each year to sell these advertising resources. It is an industry practice for an end-customer who intends to purchase these CCTV prime time advertising resources to engage advertising agencies to place bids on its behalf in the annual public auctions. In respect of CCTV subscription-based advertising resources, CCTV conducts a subscription process during a subscription period from September to October each year to sell these advertising resources on a first-come-first-serve basis. It is an industry practice for an end-customer who intends to purchase CCTV subscription-based advertising resources to engage advertising agencies to file a subscription application to purchase such advertising resources on its behalf. After the subscription period, any unsold CCTV subscription-based advertising resources will become available for direct sale to end-customers.

During the Track Record Period, we did not acquire any CCTV prime time advertising resources in the annual public auctions held by CCTV or any CCTV subscription-based advertising resources in the subscription process conducted by CCTV.

Advertising Agencies' Advertising Resources

As an industry practice during the Track Record Period, CCTV typically sells its advertising agencies' advertising resources in the following ways: CCTV may (i) initiate ad-hoc public auctions for the exclusive rights to such advertising resources; or (ii) grant such exclusive rights to the relevant existing advertising agency if it has the renewal right and renews its agreement with CCTV in connection with such exclusive rights; or (iii) decide to grant such exclusive rights to the relevant existing advertising agency without the renewal right and not to initiate ad-hoc public auctions unless that advertising agency decides not to renew or has breached its agreement with CCTV. Prior to an ad-hoc public auction, CCTV may set out requirements stipulating the exclusive right period and the renewal term for the agreement to be entered into between CCTV and a winner bidder and the renewal term may be of one or more years. In contrast, when CCTV renews its agreement with an existing advertising agency without the renewal right, we believe that it typically renews such agreement on an annual basis. We believe that it is a usual practice of CCTV that only when the existing advertising agency decides not to renew or has breached its agreement with CCTV, CCTV would then initiate ad-hoc public auctions for the exclusive rights to the relevant advertising resources. We believe that during the Track Record Period and up to the Latest Practicable Date, CCTV has not deviated, or indicated that it will deviate, from the aforesaid practice of CCTV, such as (i) changing its sale model and selling these advertising agencies' advertising resources directly to end-customers, rather than through advertising agencies such as the Group; (ii) specifying a cap on the amount of advertising time slots which may be acquired by a single advertising agency; or (iii) publicly announcing any formal policy on the methods of selling these advertising agencies' advertising resources, including the requirement of public auctions. CCTV has indicated that it currently intends to generally maintain the current proportion of its advertising agencies' advertising resources going forward. It is also an industry practice for a customer who intends to purchase these advertising agencies' advertising resources to purchase from advertising agencies who have secured exclusive rights to such advertising resources. Notwithstanding the above, we cannot assure that CCTV will not change its policies in respect of the way it sells advertising resources, the factors it considered when renewing exclusive rights to advertising time slots and the proportion of its advertising resources to be sold through advertising agencies and directly to end-users. For the risk relating to change of policies, see "Risk Factors — Our cooperative relationship with CCTV and other media resources has been, and is expected to continue to be, critical to our business and financial performance. Failure to enter into new, or renew, the existing exclusive agreements with CCTV and other media resources on commercially feasible terms or at all would materially and adversely affect our business, results of operations and financial condition".

Under our media investment management services, our exclusive rights refer to the exclusive rights to sell advertising time slots for certain CCTV programs which are not reserved by CCTV for its own sales as end-customers' advertising resources.

In November 2009, CCTV initiated an ad-hoc public auction for the exclusive rights to advertising time slots for various TV programs in 2010 and we obtained exclusive rights to three of our five TV programs at such public auction. Under our agreements with CCTV for these exclusive rights, we were entitled to the right to renew these agreement for two additional one-year terms. According to the requirements set out by CCTV, any advertising company with a valid business license and having passed the annual regulatory inspection by the SAIC is qualified to apply for authorization to act as an advertising agency for CCTV and any company which had been previously authorized to act as an advertising agency for CCTV may participate in the public auction as long as such company had paid all media costs for the advertisements it placed on CCTV and complied with applicable PRC laws. In addition, the participants were required to pay deposits to CCTV for the auction in the amount set by CCTV for different programs or time periods, which can offset media costs in installments if they would finally win the bids. We determined the bidding prices in the tendering process by referring to the bottom price set by CCTV, the maximum media costs we may afford and the winning bid prices for other advertising time slots announced in the auction. We were required to pay a deposit of RMB10 million before making a bid for the exclusive rights to advertising time slots for "World Express (國際時訊)", "News Weekly (新聞週刊)" and "World Weekly (世界週刊)" and we acquired such rights in this public auction in November 2009. In addition, we also acquired the exclusive rights to advertising time slots for "Treasure Hunt (尋寶)" and "Oriental Horizon (東方時空)" from CCTV through the public auction process in March 2010 and September 2010, respectively. We paid a deposit of RMB3 million to CCTV before making a bid in the public auction process for each of these two TV programs. Subsequently, we have renewed our agreements with CCTV for each of the five TV programs without going through public auction. Other than participating in the aforesaid public auctions in November 2009, March 2010 and September 2010, we did not participate in any other auction for bidding for TV programs during the Track Record Period and up to the Latest Practicable Date.

We strategically selected to acquire the exclusive rights to advertising time slots for these five TV programs. We believe that the majority of the audience of these TV programs overlaps with the target consumers of our clients, particularly those automobile manufacturers and high-end brand owners. We entered into agreements with CCTV with a typical term of one year in connection with advertising time slots for these five TV programs. Under these agreements, we were committed to pay a fixed amount of media costs corresponding to certain amount of advertising time slots to secure our exclusive rights to such advertising time slots during the broadcasting of these programs. A specified percentage of the media costs should be paid as a deposit prior to the beginning of the contract year, and the remaining portion of the media costs should be paid in monthly installments for the advertisements to be broadcasted in the following month. We may also sell more advertising time slots to our clients than those that were previously prescribed under our agreements with CCTV, if permitted by CCTV. If CCTV changes the broadcast schedule of relevant TV programs due to the adjustment of its programming plan, we need to pay the media costs according to the adjusted price as agreed upon by both parties. If CCTV fails to broadcast certain advertisements placed by us on behalf of our clients, CCTV is obligated to broadcast those advertisements at a different time slot with comparable value or, when a different time slot with comparable value is not available, to refund relevant media costs paid by us without any interest or other compensation. The Directors confirm that the Company did not breach these agreements during the Track Record Period and up to the Latest Practicable Date.

The total amount of purchased advertising time slots for these five TV programs were 67,110 seconds, 101,820 seconds and 95,395 seconds for the years ended December 31, 2010, 2011 and 2012, respectively. The total amount of sold advertising time slots for these five TV programs were 61,370 seconds, 76,895 seconds and 72,900 seconds for the years ended December 31, 2010, 2011 and 2012, respectively. As a sales strategy, we are committed to sell the acquired advertising time slots at certain listed prices and discounts with a view to achieve overall profitability even with unsold advertising time slots. During the Track Record Period, we were able to maintain profitability within Wisdom Branding even with unsold advertising time slots. With respect to any unsold advertising time slots, as long as we pay the minimum amount of media costs committed by us, CCTV is not entitled to sell these unsold time slots to third parties under its agreement with us. Also, we would not sell these unsold time slots at a discount larger than that under our sales strategy. Instead, as we usually provide our clients' advertisements to CCTV for broadcast arrangement of a TV program before it is broadcasted, CCTV may extend the duration of the TV program to cover any unsold advertising times slots. During the Track Record Period, we utilized certain of our unsold advertising time slots to broadcast videos of the Company or its products for promotion and video of our key clients as rewards to them from time to time.

We were entitled to the right to renew our agreements with CCTV for two additional one-year terms when we acquired these advertising time slots in 2010, except for the "Oriental Horizon (東方時空)" agreement, under which we only had a one-time renewal right to extend the term for 2012 after the initial term expired on December 31, 2011. These agreements, however, may be terminated prior to their expiration if we commit a material breach, such as the late payment of the deposits and other media costs.

In 2011, we renewed the relevant agreements with CCTV and continued to have the exclusive rights to advertising time slots for all of these five TV programs for another year. In 2012, we renewed the relevant agreements with CCTV for "World Express (國際時訊)" and "Oriental Horizon (東方時空)". The renewal of the relevant agreements involved increases in the price of the advertising time slots, which were determined based on mutual negotiation. Except for the amounts of media costs, these agreements contained terms substantially similar to those of the agreements in connection with our exclusive rights to advertising time slots in 2010. As part of our plan to divert part of our resources to develop new sports events and produce new TV programs and to manage the downside risks due to economic downturn, we decided to cooperate with Beijing Qili Advertisement Co., Ltd. (formerly known as Beijing Chewen Dianjing Communication Co., Ltd.) ("Beijing Qili"), our client with good business relationship with us during the Track Record Period and an Independent Third Party, to exercise the renewal of the relevant agreements with CCTV in practice for the other three TV programs, "News Weekly (新聞週刊)", "World Weekly (世界週刊)" and "Treasure Hunt (尋寶)" in 2012 through a business arrangement. Under this business arrangement, Beijing Qili directly acquired from CCTV the exclusive rights to all of the advertising time slots for the three TV programs and subsequently entered into an agreement with us and agreed to sell to us the exclusive rights to 50% of advertising time slots for these three TV programs at cost. Such amount of 50% of advertising time slots for these three TV programs accounted for approximately 11.6% of the aggregate advertising time slots for which we and Beijing Qili were committed to pay the corresponding minimum amount of media costs under the CCTV agreements for the five TV programs.

Our existing exclusive rights to advertising time slots for five CCTV programs

After the expiration of our agreements with CCTV for the exclusive rights to advertising time slots for "World Express (國際時訊)" and "Oriental Horizon (東方時空)" and our agreement with Beijing Qili for the exclusive rights to 50% of advertising time slots for "News Weekly (新聞週刊)", "World Weekly (世界週刊)" and "Treasure Hunt (尋寶)" on December 31, 2012, CCTV has agreed to grant us the exclusive rights to advertising time slots for these five TV programs in 2013 and issued authorization certificates for the sales of relevant advertising time slots to us. CCTV granted to us the exclusive rights to advertising time slots for these five TV programs in 2013 through business negotiation without holding a public auction. We entered into formal agreements with CCTV with respect to the exclusive rights to advertising time slots for "Oriental Horizon (東方時空)", "Treasure Hunt (尋寶)", "World Express (國際時訊)", "News Weekly (新聞週刊)" and "World Weekly (世界週刊)" in 2013.

The term of these agreements is one year with an expiration date of December 31, 2013. We are not entitled to any renewal right under these agreements upon their expiration. We cannot assure you that our existing exclusive rights to advertising time slots for the five CCTV programs will be renewed after the end of 2013. For the risk relating to the renewal of our existing exclusive rights to advertising time slots for the five CCTV programs, see "Risk Factors — Our cooperative relationship with CCTV and other media resources has been, and is expected to continue to be, critical to our business and financial performance. Failure to enter into new, or renew, the existing exclusive agreements with CCTV and other media resources on commercially feasible terms or at all would materially and adversely affect our business, results of operations and financial condition".

According to these agreements, the minimum amount of media costs we are committed to pay in 2013 corresponds to media costs for an aggregate of 93,840 seconds of advertising time slots for these five TV programs. The length of advertising time slots may be subject to changes agreed by the parties. Except for the increase in media costs, these agreements contained terms substantially similar to those of the agreements in connection with our exclusive rights to advertising time slots from 2010 to 2012. See "— Media Resources And Other Suppliers".

We believe we have the capabilities to acquire the exclusive rights to the advertising time slots for these five TV programs from CCTV continuously on an annual basis for the following reasons:

- We believe that we have an established platform for the sales of advertising time slots for these five TV programs and maintained a stable business relationship with CCTV since 2006. We acquired the exclusive rights to advertising time slots for these five TV programs in 2010 and continued to hold such rights for 2013, except for our arrangement with CCTV and Beijing Qili in relation to the advertising time slots for "News Weekly (新聞週刊)", "World Weekly (世界週刊)" and "Treasure Hunt (尋寶)" in 2012. As we have entered into formal agreements with CCTV with respect to exclusive rights to advertising time slots for these five TV programs during the Track Record Period and in 2013, we believe that we have a probable chance of continuing our cooperation with CCTV in these five TV programs as long as we are able to comply with applicable PRC laws and perform our obligations under the existing agreements with CCTV, including the payment of media costs.

- we have a track record of sales of advertising time slots for these five TV programs and a dedicated and experienced sales and marketing team with good working relationship with our direct clients and deep understanding of the target customers for the relevant advertising time slots.

- We have maintained a client base that is able to place advertisements that meet CCTV's strict requirements regarding the advertisement contents. Our client base includes both automobile companies and other high-end brand owners. During the Track Record Period, we served 314 brands, of which 105 were in the automobile industry and 209 were in non-automobile industry.

- We have produced certain automobile-related TV programs which were broadcasted on CCTV, such as special programs of "CCTV Automobile of the Year (CCTV中國年度汽車評選)" and "Special Report on International Automobile Exhibitions (國際車展特別報導)". We have also produced special TV programs for certain sports competitions organized by us and broadcasted them on CCTV-5, such as "FIM Freestyle Motocross World Championship (國際摩聯花式極限摩托世界錦標賽)". We believe that the TV programs we produced had offered CCTV an additional channel of sourcing TV programs, in particular automobile related TV programs, which enabled us to maintain our stable business relationship with CCTV.

Moreover, if CCTV decides to distribute advertising time slots for its TV programs through public auction in the future, we believe that we have capability and credentials to be competitive in the bidding process for the advertising time slots we currently have and may further expand our media resources by acquiring more advertising time slots from CCTV.

Notwithstanding the above, there are other factors which CCTV will consider when making decisions whether to renew our exclusive rights to advertising time slots for the five CCTV programs. We cannot assure you that we are able to (i) maintain stable business relationship with CCTV, (ii) renew our existing exclusive rights to advertising time slots for the five CCTV programs after the end of 2013, and (iii) maintain or expand our existing client base. For the risk relating to maintaining stable business relationship with CCTV, see "Risk Factors — Our cooperative relationship with CCTV and other media resources has been, and is expected to continue to be, critical to our business and financial performance. Failure to enter into new, or renew, the existing exclusive agreements with CCTV and other media resources on commercially feasible terms or at all would materially and adversely affect our business, results of operations and financial condition".

Following a strategic review of our business which we conducted in 2011, we discontinued some of our low-margin operations, such as advertisements placing with "Global Business & Finance (環球財經)", a financial magazine in China, and the magazine and air media programs of Shanghai Airlines.

Service process

Our clients directly purchase from us advertising time slots to which we have obtained exclusive rights from CCTV or other media operators. Our media investment management services typically start with an initial discussion between our sales and marketing personnel and a potential client. After learning more about the client, including a better understanding of its business and goals for placing the advertisements, we conduct the relevant market research for them and propose a marketing and advertising plan, which includes our recommendations of advertising strategies, specific TV channels or other media platforms and time slots on which to place the advertisements to maximize the desired effect. After the client approves the plan, we enter into an advertisement placement contract with the client, which will specify the time slots or the programs within which the advertisements will be broadcasted and the relevant price for the advertising time slots allocated to such client. These advertisement placement contracts provide that if the advertisement placements are illegal or invalid due to any reasons on the part of our clients, our clients shall assume related liabilities and indemnify us against all losses we may suffer in connection with such illegality or invalidity. We allocate our advertising time slots to clients on a first-come, first-served basis. If the overall demand for advertising time slots during certain periods exceeds the amount to which we have acquired, subject to confirmation by CCTV, we may acquire additional amount of advertising time slots on a case-by-case basis to cater to the needs of our clients.

After we enter into contracts with CCTV or other media operators to broadcast the relevant advertisements of our clients, our personnel who are responsible for media relationship will review such advertisements to ensure that the content of the relevant advertisements are in compliance with the applicable regulatory requirements in China and the specific content or technical requirements of CCTV or other relevant media operators. Our team responsible for the preliminary review of clients' advertisement contents includes three personnel certified by CCTV to handle this task. Although the three personnel do not belong to our senior management team, they are experienced and familiar with applicable PRC advertising laws, CCTV's requirements and technical indicators in respect of advertising materials, so they are certified by CCTV. The responsible staff at the advertising department of CCTV is in charge of the final review of our clients' advertisements according to applicable PRC advertising laws. We keep regular contacts with responsible staff at CCTV and actively coordinate the review process. We also help our clients prepare and collect the relevant legal documents required by CCTV or other relevant media operators for the release of the advertisements, including the business licenses and trademark certificates of our clients, and also send sample advertisements to media operators for their preview. After receiving approvals (including those for content of advertisements) from CCTV or other relevant media operators, the advertisements will be broadcasted according to the agreed-upon schedule. We have also engaged CVSC- TNS Research ("CTR") to monitor each broadcast of the advertisements to ensure they are broadcasted during the time slots and for the duration specified in the relevant contracts. CTR is engaged in the monitoring activities and is an independent monitor with recognized authority and reputation in the advertising industry.

Pursuant to the advertisement placement contracts with our clients, if any advertising time slots are cancelled or rescheduled by CCTV, we are required to provide a notice for such changes issued by CCTV to our clients in advance and arrange for the broadcast of their advertisements at a different time. However, our clients are not entitled to claim any additional compensation from us or CCTV. During the Track Record Period, CCTV made adjustments to advertising times slots to which we had the exclusive rights on certain occasions, such as during the Chinese New Year holidays or during the broadcast of special TV programs for the Olympic Games. Such adjustments did not have any material adverse effect on our relationship with our clients. See "Risk Factors — We rely on access to advertising time slots during a limited number of TV programs to place our clients' advertisements and the desirability of the advertising time slots we obtain depends on the popularity and viewership of the relevant TV programs and other factors that are difficult to predict."

The service process flow for our media investment management services is set out below:

Obtaining exclusive rights to advertising resources

↓

Initial discussion with potential clients

↓

Making proposals for a marketing and advertising plan

↓

Selection of appropriate advertising resources for clients

↓

Signing advertisement placement contracts

↓

Internal review of the content of advertisements

↓

Coordination in obtaining approvals from media operators

↓

Monitoring the broadcast of advertisements

Branding and identity services

Our branding and identity services offer (i) branding strategy consultancy services, and (ii) advertisement agency services to our clients. Some clients engage us to formulate branding strategies and then commission us to place advertisements on various media platforms. Other clients may engage us to provide only one of these two types of services depending on their different marketing needs.

With our capabilities in branding strategy consultancy, we are able to provide our clients with comprehensive services for the PRC market. This full range of services encompasses the development of a focused brand strategy, brand planning, market research, event planning and implementation, public relations management, program production, advertisement agency and media investment. Our ability to produce various types of programs and our access to diverse media resources allow us to serve as an integrated services provider for our clients' brand promotion and communication needs, and in turn enable them to achieve their goals of increasing product sales, higher market share, and brand value enhancement in the PRC market. With the increasing overseas investments by PRC brand owners, we also plan to provide marketing strategies for our clients to help them promote their brand images in overseas markets. We determine the price of our branding strategy consultancy services on a case-by-case basis with reference to the scale, complexity and coverage of services provided by us, and the price range of similar services set by international 4A advertising companies and domestic advertising companies.

For our advertisement agency service, we serve as an agent in placing advertisements for our clients on television channels, including CCTV, satellite and local TV channels and, to a lesser extent, on other media platforms, including the Internet and various outdoor media. We only place advertisements on specified media platforms according to our client's instructions and do not have the exclusive rights to such advertising resources. The commissions for advertisement agency services were set at an average of approximately 5% or less of our clients' related advertising expenditures annually during the Track Record Period with reference to various factors, such as the type of advertisements, requested media platforms, the related human resources committed by us and our expected administrative expenses. As we maintain business relationships with media operators in China and acquire a large amount of advertising resources from time to time, we believe that our clients may obtain more competitive prices if they commission us to place advertisements on third-party media platforms rather than directly negotiating with those media operators or their agents. Furthermore, we believe we are also in a position to offer high-quality professional advice to our clients in respect of the effective placements of advertisements on appropriate media platforms.

Service process

When we start our branding strategy consultancy work, we discuss directly with the client its brand promotion strategies and plan, identify the specific reason why the client wishes to promote or further enhance its brand image, what the client's demands are for the brand promotion, and what impact that client intends or expects to make with the brand promotion so that we can ensure that the brand promotion services proposal is highly responsive to and tailored for the client's specific needs.

We conduct preliminary marketing research on the client's brands, products and services, and its industry in general to have a better understanding of its unique marketing needs and current branding position to ensure that our marketing proposal meets the client's needs. Our client services personnel establish an inter-departmental taskforce to determine our client's target consumer group and their consumption preferences to decide the most effective marketing communications strategy.

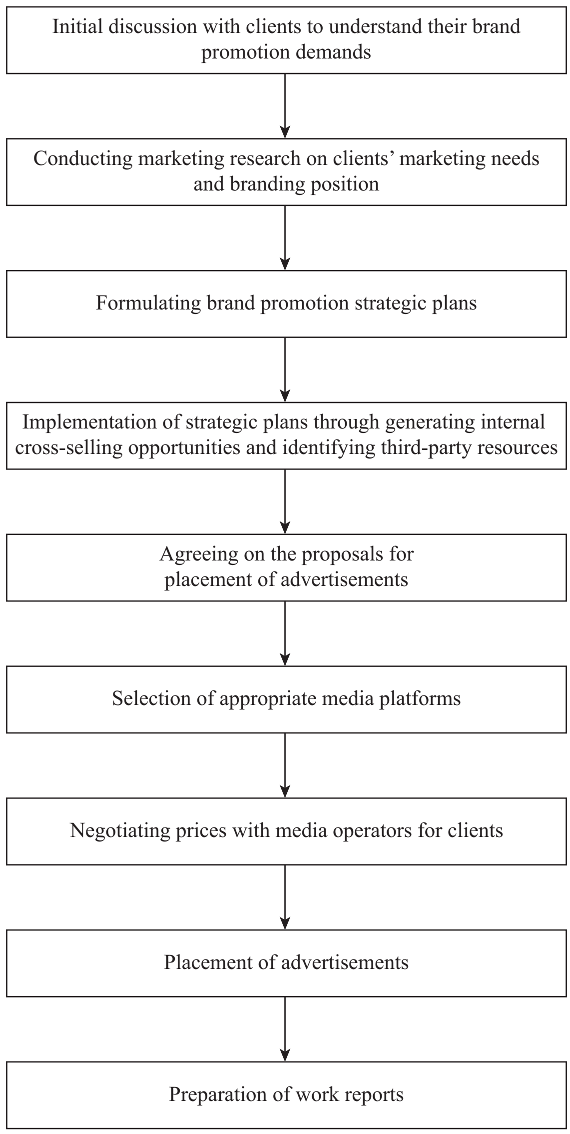
Based on our market research and communications with the client, we will help our client determine the overall market position of its brand and formulate a comprehensive brand promotion strategic plan. Our plan will provide the client with overall guidelines on the promotion of its brands for the target market and consumers, the coordination with various market participants to maintain and improve its brand image, and the effective utilization of available media resources and marketing solutions.

Our inter-departmental taskforce will develop a detailed implementation plan and an estimated budget. After we receive the approval from the client about the detailed implementation plan, we will coordinate with our program production, sports competitions organization and advertisement services teams to effectively and efficiently achieve the client's marketing purpose within the approved budget, including producing TV commercials and corporate videos for the client, embedding the client's brand image in our TV programs, designing and organizing suitable marketing events, and placing advertisement in our secured media platforms or making advertisement placements on behalf of the client on other media platforms. The implementation of our plans often result in cross-selling opportunities among our various business units and enhance the client's loyalty to us. We may also explore additional marketing opportunities from third party service providers and consolidate these resources for our clients to better serve their marketing demands.

If a client prefers to have its advertisements broadcasted during time slots other than those we have obtained from CCTV, or on other TV channels or media platforms, we can serve as an agent for the client to procure relevant advertising resources. After agreeing on the proposals for the placement of advertisements, we will select media platforms and their available advertising resources that can better meet the marketing demands of the client. We will then negotiate the prices with relevant media operators or their agents according to the instructions from the client. Once the client's related advertising expenditures are determined, we will charge commissions to the client and make arrangements for the placement of its advertisements on the selected media platform.

During the course of our engagement, we will also collect data on sales of the client's products or services, and feedback on the promotional campaign from target audience and consumers to determine whether any adjustments should be made to the implementation plan. We will also prepare a work report to evaluate the effectiveness of our branding strategy plan and its implementation, including the placement of advertisement on other platforms, for our client's and our own internal reference.

The service process flow for our branding and identity business, including both branding strategy consultancy and advertisement agency services, is set out below:



Wisdom Program

Wisdom Program produces video programs broadcasted on television and through the Internet to personal computers and mobile devices. Wisdom Program also produces TV programs, TV commercials and corporate videos according to specific instructions from our clients.

Our focus on Wisdom Program is aligned with the PRC government's policy regarding separation of roles in program production and broadcasting for TV stations, which encourages companies like us to engage in the production of TV programs. We were granted the Permit for Production and Operation of

Radio and TV Programs on July 21, 2010 for our operation of Wisdom Program and renewed it on July 2, 2012. Such permit will expire on July 2, 2014 and can be renewed within 30 days of its expiration. We normally assume the upfront costs for the production of TV programs and exchange the completed TV programs for advertising time slots and various categories of embedded advertisements from media operators for free or at a price lower than market rates. Based on our upfront production costs and expected gross margin, we can determine the expected total selling price of the advertising resources we need to receive in exchange for the relevant TV programs produced by us. By referring to the price of advertising time slots offered on the same TV channel at similar broadcasting time and the market price of embedded advertisements in similar TV programs, we can assess the package of advertising resources we need to exchange in order to achieve our expected total selling price. The package of advertising resources we may obtain, including the length of advertising time slots and the categories of embedded advertisements, and the price of such advertising resources, if any, will be determined based on our commercial negotiations with media operators. Our Wisdom Program unit mainly generates revenues from the sale of the advertising time slots as well as from the embedded advertisements sponsored by our clients. As we are normally granted the exclusive rights to related advertising resources and do not share the profits with media operators, we believe we can maximize the profitability of the TV programs produced by us by increasing their viewership rates and distributing them on a wider network of media platforms. In addition, we also receive production fees from our clients for the video programs, TV commercials and corporate videos they commission us to produce; we currently do not intend to actively seek to be commissioned by clients to produce these client-commissioned video programs in 2013.

Our TV programs

We mainly produce various entertainment TV programs. We embed information and advertisements with respect to automobiles or other products in our TV programs and offer them as an effective marketing platform to our clients. We target popular TV channels whose audience generally have higher-than-average disposable income to broadcast our TV programs, as we believe these channels offer an opportunity for our clients to reach their target customers. We typically enter into agreements with media operators with a term of one year. According to these agreements, we are responsible for the production and quality of TV programs. The parties to such agreement are entitled to termination rights if one party commits a material breach, such as late payment of production fees or media costs, or material non-compliance with applicable PRC laws in respect of the contents of the TV programs and related advertisements. The Directors confirm that the Company did not breach these agreements during the Track Record Period and up to the Latest Practicable Date.

We have produced "Driving Fashion (駕尚)", a TV program broadcasted on a network of over 120 local TV channels as of December 31, 2012, with coverage in various cities in 26 provinces in China. It is a program which primarily covers the introduction of fashion and lifestyle, discussion of news topics and interviews with public figures. The automobiles and related products are presented in this program through various formats, such as the props for the program, the topics of discussion on fashion or interviews with entrepreneurs in the automobile industry. During the Track Record Period, we offered such TV program to media operators and exchange for an aggregate of 388,800 seconds advertising time slots on all TV channels that broadcasted this program and various categories of other advertising resources, such as naming rights, advertising space and other types of embedded advertisements. As this TV program was broadcasted on a network of local TV channels, we aggregated the prices of related advertising resources available to all TV channels broadcasting this TV program as the total selling price and sold these media resources as a package to our clients. We suspended this TV program in March and April 2013 in order to upgrade it by customizing the program's content to meet our clients' requirement and increase the popularity of this program. This program was re-launched in May 2013 and has been broadcasted on a new network of over 100 local TV channels as of the Latest Practicable Date. The aforesaid network of over 120 local TV channels has been utilized by our weekly news commentary TV program "China Trends (中國潮)" since March 2013.

We also produce other types of TV programs, such as variety shows. For example, we created a new TV variety show entitled "Lucky Go (週末駕到 /天天駕到)" that integrates our television, Internet and mobile devices platforms. This program is currently broadcasted nationwide through Chongqing Satellite TV and sponsored by automobile companies. The audience can register to become contestants through our website (www.luckygo.com.cn), mobile devices and other methods. If a contestant successfully navigates through all of the obstacles in the game show, he or she will earn an opportunity to spin a prize wheel for the grand prize. The contestant who wins the grand prize for each episode can exchange the right to use a new car for ten years sponsored by an automobile company with his or her old car. In the future, other potential contestants who register with the program's website but are not selected to participate in this program may be offered a group purchase opportunity to buy automobiles at discounted prices. We are in the process of enhancing our own database of end-users of automobiles by collecting registration information from the website of this program and plan to generate revenues through e-commerce on our website around the end of 2013. We purchased a package of advertising resources associated with this program at a price lower than the market price of advertising time slots on Chongqing Satellite TV at similar broadcasting time slots. The advertising resources we obtain include the advertising time slots, naming rights, advertising space at the program production site, the display and introduction of client's products in such program and certain other types of embedded advertisements. We priced the advertising resources by referring to the prices of similar advertising resources available on other satellite TV channels. In addition, we are entitled to receive production fees for this program from the advertising agency of Chongqing Satellite TV in 2013.

We recently launched a 30 minute weekly news commentary TV program "China Trends (中國潮)" in March 2013, which is currently broadcasted through a network of over 130 local TV channels with which we had established business relationships with respect to other TV programs, including "Driving Fashion (駕尚)". From March 8, 2013 up to the Latest Practicable Date, 15 episodes of "China Trends (中國潮)" were broadcasted. We offer this TV program to media operators and exchange advertising time slots on all TV channels that broadcast this program and various categories of other advertising resources, such as naming rights, advertising space and other types of embedded advertisements. As this TV program is broadcasted on a network of local TV channels, we package all related advertising resources from all TV channels broadcasting this TV program and sell them to our clients.

From January 1, 2013 up to the Latest Practicable Date, we exchanged "China Trends (中國潮)", "Driving Fashion (駕尚)", "Lucky Go (週末駕到 /天天駕到)" and "Auto Fashion (車風尚)" for 502,230 seconds, 382,710 seconds, 25,020 seconds and 360 seconds of the relevant advertising time slots, respectively and relevant naming rights and embedded advertisements of these TV programs for free or at a price lower than market rates.

The following table sets forth details of each of the TV programs we have produced:

Program	**Description**	**Frequency**	**Broadcast Period**	**Current Media Platform**
CCTV Automobile of the Year (CCTV 中國年度汽車評選)	A series of TV programs and an awards ceremony on the annual automobile of the year, jointly produced with CCTV	Special programs for the annual award of CCTV Automobile of the Year	From December 2007	CCTV-Finance, the primary channel of CCTV focusing on finance and economics with nationwide coverage in China

Program	Description	Frequency	Broadcast Period	Current Media Platform
Special Report on International Automobile Exhibitions (國際車展特別報導)	Special TV reports of annual automobile exhibitions in Beijing, Shanghai and Guangzhou	Special programs of automobile exhibitions broadcasted during certain TV programs from time to time	From April 2008	CCTV-Finance, the primary channel of CCTV focusing on finance and economics with nationwide coverage in China
Rapid Heartbeat (加速心跳)	An automobile-related matchmaking entertainment TV program	Weekly	September 2010 – March 2011	Shenzhen Satellite TV, a satellite channel of Shenzhen TV station with nationwide coverage in China
Auto Fashion (車風尚)	A TV news magazine program on newly released automobiles and automobile industry news	Weekly	March 2011 – January 2013	CCTV-Finance, the primary channel of CCTV focusing on finance and economics with nationwide coverage in China
Driving Fashion (駕尚)	A comprehensive TV program on the information of automobiles and various categories of related products and services	Weekly	From August 2011	Local TV channels
Lucky Go (週末駕到 /天天駕到)	A TV variety show	Includes weekday shows and weekend shows	From November 2012	Chongqing Satellite TV
China Trends (中國潮)	A news commentary TV program	Weekly	From March 2013	Local TV channels

The following table sets forth the length of our TV programs and our advertising resources associated with these TV programs for the periods indicated below:

		For the year ended December 31,								
		2010			2011			2012		
Program	No. of TV channels broadcasted (as of December 31, 2012)	Length per episode (minutes)	No. of episodes	Advertising resources	Length per episode (minutes)	No. of episodes	Advertising resources	Length per episode (minutes)	No. of episodes	Advertising resources
Rapid Heartbeat (加速心跳)	0	60	12	3,600 seconds advertising time slots and other types of advertising resources	60	2	600 seconds advertising time slots and other types of advertising resources	—	—	—
Auto Fashion (車風尚)	1	—	—	—	40	30	1,800 seconds advertising time slots and other types of advertising resources	40	37	2,640 seconds advertising time slots and other types of advertising resources
Driving Fashion (駕尚)	Over 120	—	—	—	30	19	21,960 seconds advertising time slots and other types of advertising resources	30	52	366,840 seconds advertising time slots and other types of advertising resources
Lucky Go (週末駕到)	1	—	—	—	—	—	—	50	6 (weekend shows)	2,160 seconds advertising time slots and other types of advertising resources
Lucky Go (天天駕到)	1	—	—	—	—	—	—	15	43 (weekday shows)	2,580 seconds advertising time slots and other types of advertising resources

The total amount of purchased advertising time slots for the TV programs in the table above were 3,600 seconds, 24,360 seconds and 374,220 seconds for the years ended December 31, 2010, 2011 and 2012, respectively. The total amount of sold advertising time slots for the TV programs in the table above were 540 seconds, 18,955 seconds and 315,085 seconds for the years ended December 31, 2010, 2011 and 2012, respectively.

Since 2007, we jointly produced annual special program with CCTV-Finance for "CCTV Automobile of the Year (CCTV中國年度汽車評選)", which is one of the main annual automobile industry awards in China. We also produced the "Special Report on International Automobile Exhibition (國際車展特別報導)" since 2008, which covers the highest level of international automobile exhibitions held in China. We normally broadcasted these special programs in the TV programs produced by us, such as "Auto Fashion (車風尚)", or on other media platforms. We generate revenues from the sale of sponsorship rights and various types of embedded advertisements in connection with these special programs to our clients. We do not exchange these special programs for any advertising time slots from media operators.

After the expiration of our agreement regarding the TV program "Auto Fashion (車風尚)" with CCTV on December 31, 2012 and the broadcast of all episodes of such program which had been produced, we and CCTV came to a mutual decision not to renew this agreement. The lapse of this agreement will allow us to re-allocate additional attention and resources to focus on producing new TV programs which will better cater for the needs of TV audience. We believe the launch of our TV programs "Lucky Go (周末駕到/天天駕到)" in November 2012 and "China Trends (中國潮)" in March 2013 will offer a wider category of TV programs for our clients and the discontinuation of "Auto Fashion (車風尚)" will not have any material adverse effect on our business operations.

Client-commissioned video programs

We have also been commissioned by our clients to produce video programs for their further distribution to local TV stations or other media platforms, or produce corporate videos, promotional videos and TV commercials for the promotion of their products and brand image. In a typical service process, we first discuss with the clients on their requirements and specifications of the video programs and then provide them with the program proposal and story board design. After the proposal and design are reviewed and confirmed by the clients, we will carry out the shooting and post-production work and deliver the video programs to the clients. We receive production fees from our clients with respect to these client-commissioned video programs and do not exchange these video programs for advertising time slots from media operators. The production fees are mainly determined based on the market price, the types and specifications of the video programs and our production costs and gross margin requirements, subject to further negotiation with the clients.

After a strategic review of our operational model in Wisdom Program in 2012, we decided to focus on the production of TV programs which could generate revenues through the sales of relevant advertising resources. In addition, we re-allocated our attention and resources to produce new TV programs which would better cater for the needs of TV audience. Therefore, we did not produce any client-commissioned video programs from January 1, 2013 up to the Latest Practicable Date and currently do not intend to actively seek to be commissioned by clients to produce any client-commissioned video programs in 2013.

Program production process

The flow for our program production services is divided into two stages: (i) program planning and media channel cooperation, and (ii) program production and broadcasting.

Program planning and media channel cooperation

We conduct preliminary market research and identify the type of programs that we believe will be well received by our target audience. We then identify the most appropriate media channels for our programs and liaise with the relevant media operators. After modifying our program proposal based on the feedback from the media operators and obtaining their approval, we will proceed with producing a sample program for the media operators' preview and comments. Once the media operators approve our sample program, we will enter into formal agreements with the media operators to fix the timing of the broadcasts of our programs and to secure our right to the advertising time slots during the broadcasts of our programs.

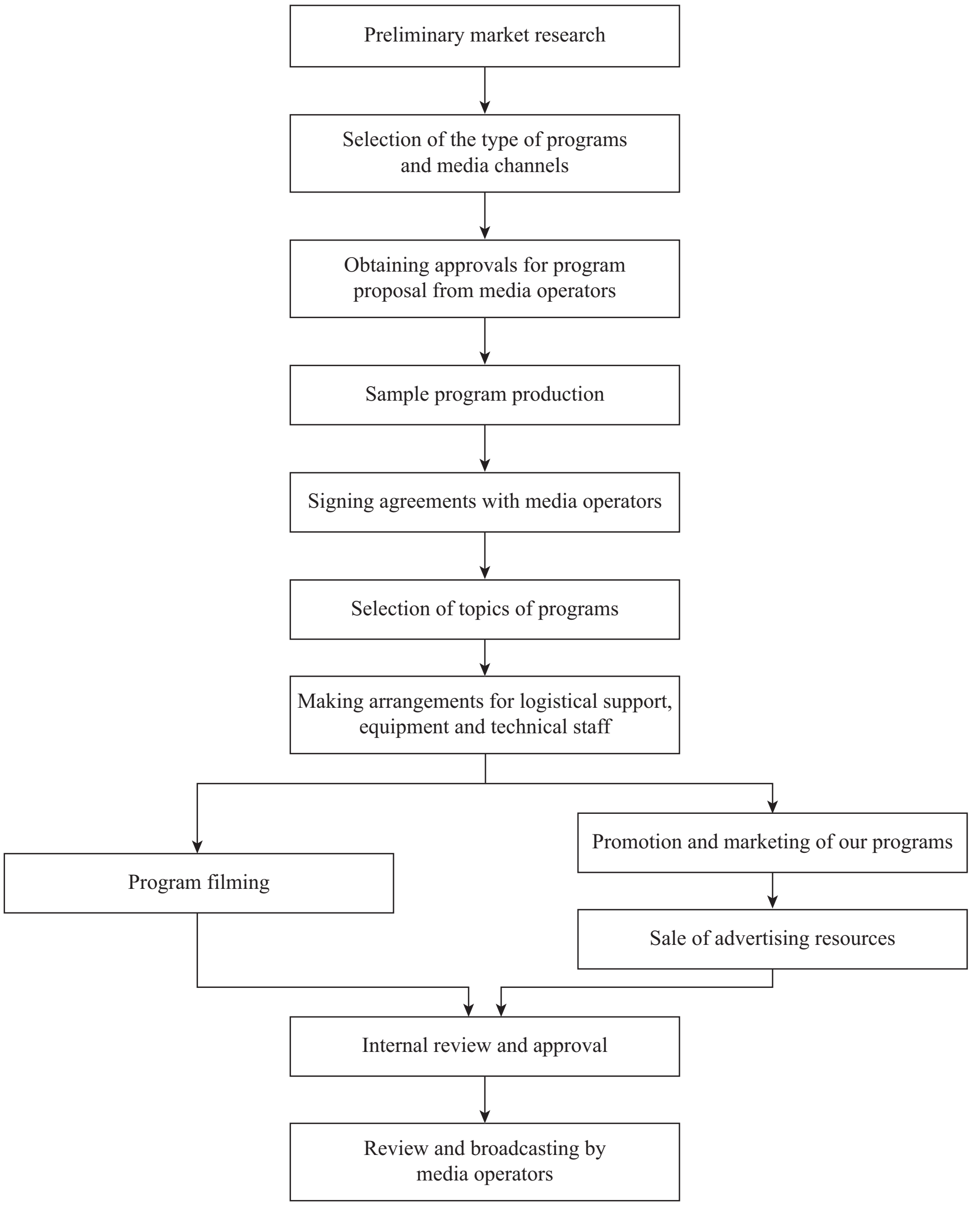
Program production and broadcasting

Based on our program proposal, our program director will select and recommend the topics of the programs for consideration by the program's general supervisor. After obtaining approval for the program topics, the program director will instruct our implementation team to launch the production process and provide necessary logistical support, equipment and technical staff for the production. The program production process begins with preliminary filming and ends with the combining of all of the program's sections into one episode during post editing. During the production process, our sales team will promote and market our programs, and solicit sponsorship from our clients. Our sales team and implementation team will coordinate with each other to appropriately embed our clients' advertisements into the programs, such as the logos and trademarks of the brand owners. Our sales team will also commence the sales of advertising time slots associated with the programs to potential clients. We believe that the coordination between our program production team and sales team could help us to better plan and control the program production costs and reduce relevant operation risks.

After the completion of the production process, the program's general supervisor will review the program and suggest further changes as necessary. The modified program will then be submitted to our production committee for final internal review and approval. Finally, our broadcast department will submit the finished program to the media operators for review and broadcast. In addition, in order to control and improve the quality of our programs, we regularly collect audience feedback and ratings from a third-party marketing information research company.

We sometimes outsource part of our program production work to third parties. Such outsourcing usually occurs when the filming locations are distant from our main place of business, and self-production is therefore less economical. In addition, to control and reduce production costs and risks and to maintain a stable profit margin, we subcontract part of our work, such as stage setting and motion design, to third-party professional service providers. Under these outsourcing agreements, we agree to pay a fixed amount of service fees to the third-party service providers and have the right to supervise them in provision of such services according to our plans and instructions.

The service process flow for our program production business is set out below:



Program placement channels

We primarily target to broadcast our programs through conventional television stations. We have established a collaborative relationship with CCTV, China's largest television network, to produce TV programs for viewers in the PRC. Moreover, in a strategic effort to broaden the audience of our TV programs, we have been expanding our television media resources to collaborate with satellite TV channels with nationwide coverage as well as popular local TV channels.

We have implemented a "Three-Screens-in-One (三屏合一)" strategy that is intended to concurrently leverage on television, personal computers and mobile devices as the main media channels for the integrated distribution of our programs. We believe these channels of distribution are mutually complementary and the use of the Internet will allow us to enhance the speed of distribution of our programs, extend the coverage in a more cost-effective manner and better satisfy the needs of end-users, particularly as more people are using web-enabled mobile handheld devices in the PRC. Our TV programs are also available on web portal websites and other Internet television platforms, such as NetEase, Sohu and Youku. We have created an automobile-focused website that features programs on automobiles. By creating our programs to appeal generally to the PRC end-consumer market, and utilizing different media platforms to market the brands we serve, we can better meet our clients' business needs while maximizing the value of our services.

Wisdom Sports

Wisdom Sports focuses on the organization, management and promotion of domestic and international sports competitions and other marketing events, particularly those that are automobile-related.

We regularly identify popular and influential sports competitions and cooperate with the related sports organizations to organize such competitions in China. We also organize large-scale themed events and offer them as effective marketing communications platforms. In addition, we produce special TV programs featuring the sports competitions or events organized by us and distributed these programs on CCTV and other satellite TV channels. By leveraging our extensive cooperation with media platforms and our capabilities in program production, we believe we have consolidated our strengths in Wisdom Program and Wisdom Sports and thereby enhanced the brand recognition of the sports competitions organized by us as well as increased the popularity of such competitions among the general public.

Our Wisdom Sports unit generates revenues from the sponsorship fees from automobile-related and other brand owners, the sale of advertising space at competition and event venues, registration fees from contestants and ticket sales to spectators. We were able to achieve overall profitability in each of our competitions and events after taking into account all revenues generated from that competition or event and related derivative products and services during the Track Record Period. The sponsorship in sports competitions organized by us may take various forms, such as acquiring the naming rights or getting listed as top sponsors, partners or suppliers in such competitions. We normally determine the sponsorship fees by taking into account various factors, such as the level of sports competitions, venue, nature of events, target audience, co-organizing parties, broadcast media platforms and the scarcity of relevant competitions, as well as the price of similar products in the market. In addition, we plan to generate additional revenues from the sale of related licensed merchandise in the future. We also plan to generate revenues from the grant of television broadcast rights of these sports competitions to media operators in the future.

Sports competitions

We launched the "National Urban Automobile Fuel Efficiency Extreme Challenge (全國城市汽車節油極限挑戰賽)" in 2008 with two co-organizers, including the Federation of Automobile Sports of the PRC, or FASC. FASC is the PRC branch of the Federation of International Automobile Sports, or FIAS, which is primarily responsible for managing automobile sports and supervising the implementation of the FIAS regulations in the PRC. We are responsible for formulating plans for each year's competitions and making detailed arrangements to organize the competitions in different cities in China. We also solicit sponsorship for the competitions from our clients and promote the competitions through various media platforms, including in TV programs produced by us. We believe that this competition has become increasingly popular among automobile companies and automobile owners in China, particularly with the recent increased interest in issues relating to energy efficiency. The following table sets forth the details of the local competitions that collectively form the "National Urban Automobile Fuel Efficiency Extreme Challenge (全國城市汽車節油極限挑戰賽)" for the periods indicated below:

Year	Name of Local Competitions	Location
2012	Shanghai General Motors LaCrosse 2.4L, Beijing (節油賽-上海通用別克君越2.4L北京站)	Beijing
	Shanghai General Motors LaCrosse 2.4L Mixed Power, Beijing (節油賽-上海通用別克君越2.4L混合動力北京站)	Beijing
2011	Skoda One-Tank of Petrol, Shanghai-Beijing (節油賽-斯科達一箱油上海至北京)	Shanghai to Beijing
2010	Golf Tour of Hainan One-Tank of Petrol Challenge (高爾夫環海南一箱油挑戰賽)	Hainan
	Peugeot 408, Beijing (標緻408北京站)	Beijing
	Wingle 5 Trans-Hainan Challenge (風駿5穿越海南挑戰賽)	Hainan
	Fengshen "I Am Auto King" Extreme Challenge (風神"我是車王"極地挑戰賽)	Yantai, Chengdu, Wuhan, Guizhou, Inner Mongolia, and Lhasa

We entered into an agreement with FASC to continue to organize, manage and promote the "National Urban Automobile Fuel Efficiency Extreme Challenge (全國城市汽車節油極限挑戰賽)" with a term of three years starting from April 2012. Under the agreement, FASC agreed to be responsible for obtaining the annual approval for these competitions from the General Administration of Sport of China, assisting in obtaining necessary governmental consents for each station of the competitions, approving the organization plans with respect to the itineraries, venues, rules and safety measures prepared by us, and arranging for the necessary referees, staff and competition equipment with reimbursement from us. FASC was also assisted by a third-party sports company in implementing its responsibilities in the competition. We agreed to propose the itineraries and venues for these competitions and obtain necessary governmental consents after receiving FASC's approval of our plans. In addition, we agreed to be responsible for implementing the competition plans, marketing and promoting the competitions and soliciting potential sponsors. Any default of a party which would impair the performance of this agreement or the organization of the final competition may trigger the non-breaching party's termination right under the agreement. After paying the annual registration fees of RMB20,000 and relevant service fees of RMB191,200 for these competitions to FASC and its authorized party, we would bear all the costs for organizing these competitions and enjoy the business profits generated from such competitions.

In addition to our cooperation with FASC, we cooperated with other sports organizations and their authorized agents to organize the following large-scale competitions:

- FIM Freestyle Motocross World Championship (國際摩聯花式極限摩托世界錦標賽). This championship has been held more than 120 times in 25 countries on five continents since its inception in 2001 and this was the first time it was held in China. In the Guangzhou sub-station of this championship competition held by us in September 2012 with three other co-organizers, assisted by various local government authorities, ten contestants from eight countries participated in this competition at the venue in Guangzhou, China. We have obtained the right to organize this championship in China for a period of five years from 2012 and 2016 and are required to pay an annual fee ranging from €160,000 to €195,000. We are also entitled to the right to renew our right to organize this championship in China for the period from 2017 to 2021.

- China Classic Car Rally (老式汽車中國拉力賽). This is one of the top-ranked automobile competitions in the world and recognized by the State Sports General Administration of the PRC and FIAS. In this year's competition organized by us in September 2012 with three other co-organizers, the racing line spanned more than 1,000 kilometers in five cities in China. We also cooperated with various local government authorities to hold activities at different stations to promote this competition in China, such as a classic car culture exhibition and a charity banquet. We have obtained the right to organize this competition in China for a period of ten years from 2012 to 2021 and paid a license fee in the total amount of RMB2.5 million in 2012.

- Guangzhou Marathon (廣州馬拉松). We cooperated with three sports organizations and government authorities in Guangzhou, assisted by various local government authorities, to launch this competition in November 2012 and have obtained the right to organize this competition for a period of three years from 2012 to 2014. We are required to pay a fixed amount of RMB1.0 million out of the profit to the co-organizer in each of 2013 and 2014. We are also entitled to the right to renew our right to organize this competition upon the ending of the current term.

- Hot Air Balloon Championship (中國熱氣球公開賽). We have entered into an agreement with the Aviation Radio Model Sports Management Center of the PRC's State Sports General Administration (國家體育總局航空無線電模型運動管理中心) to organize a hot air balloon championship in China in November 2013. Under this agreement, the Aviation Radio Model Sports Management Center will be responsible for the implementation of necessary air safety measures and we will be responsible for the implementation of necessary safety measures on the ground. We plan to liaise with the local government authorities to implement such necessary safety measures on the ground; for example, arrangement by the local police and authorities around the landing field area in respect of (i) isolation and safeguard of the fuel bottles; (ii) control of public access; and (iii) safety and medical emergency response team staffed with medical personnel and equipped with ambulance vehicles. As advised by our PRC legal advisers, under this agreement, we could be liable for losses suffered by the Aviation Radio Model Sports Management Center as a result of any third party's claims in connection with any accidents happened, during the Hot Air Balloon Championship (中國熱氣球公開賽) except for those losses in connection with air safety measures. We intend to acquire additional insurance policies to cover our potential liabilities that may arise during the Hot Air Balloon Championship (中國熱氣球公開賽).

Our roles and responsibilities in these sports competitions mainly include the following aspects: (i) obtaining required government approvals, (ii) implementing the plans for these competitions, (iii) making arrangements for the contestants, referees and staff, (iv) making arrangements for competition venues and facilities, (v) making arrangements with respect to safety, and (vi) commercially promoting these competitions and soliciting sponsors. The co-organizers in these sports competitions typically include relevant sports organizations and government authorities, which have the powers to approve the plans for the competitions, including the venues, routes and rules, and coordinate with various government agencies and other institutions in the organization of these large-scale competitions. We shared the costs for Guangzhou Marathon (廣州馬拉松) held in November 2012 with local governments and bore all the costs for the Guangzhou sub-station of FIM Freestyle Motocross World Championship (國際摩聯花式極限摩托世界錦標賽) held in September 2012 and the China Classic Car Rally (老式汽車中國拉力賽) held in September 2012. After payment of license fees and other required fees, we enjoyed the right to commercially develop and promote these competitions and earned revenues from sponsorship fees, the sale of advertising space at the venues, registration fees from contestants and ticket sales to spectators.

We capitalize on our organization of these high profile competitions to provide a dynamic marketing platform for our clients. For example, our automobile clients generally have sizable budgets for below-the-line marketing for the sponsorship in various large-scale competitions. We increase the total spending of these automobile clients by offering direct access to their target customers through our automobile competitions, thereby enhancing their brand and product recognition in a cost-effective manner.

We intend to cooperate with relevant international sports organizations and introduce and organize six to eight new sports competitions in China or other Asian countries, such as those involving motorcars, motorboats and automobiles. While we have preliminary plans to organize a hot air balloon championship in China and a new marathon in Hangzhou in the second half of 2013 and new marathon(s), another new hot air balloon competition and a new motorcycle-related competition in China in 2014, we have not entered into any agreements or made any final decisions regarding such new sports competitions as of the Latest Practicable Date.

Event marketing

We organized automobile-themed events as a marketing platform for our clients, such as the "China Automobile Summit Forum for the 10th Anniversary of China's WTO Accession (WTO入世十周年中國汽車高峰論壇)" in 2011. We organized this event during the Guangzhou International Automobile Exhibition, an influential automobile exhibition in China, to offer more marketing opportunities for our clients. We believe our clients benefited from the extensive participation in this event by key players in the automobile industry and high exposure of this event to the automobile end-customers and other consumers with higher-than-average disposable income.

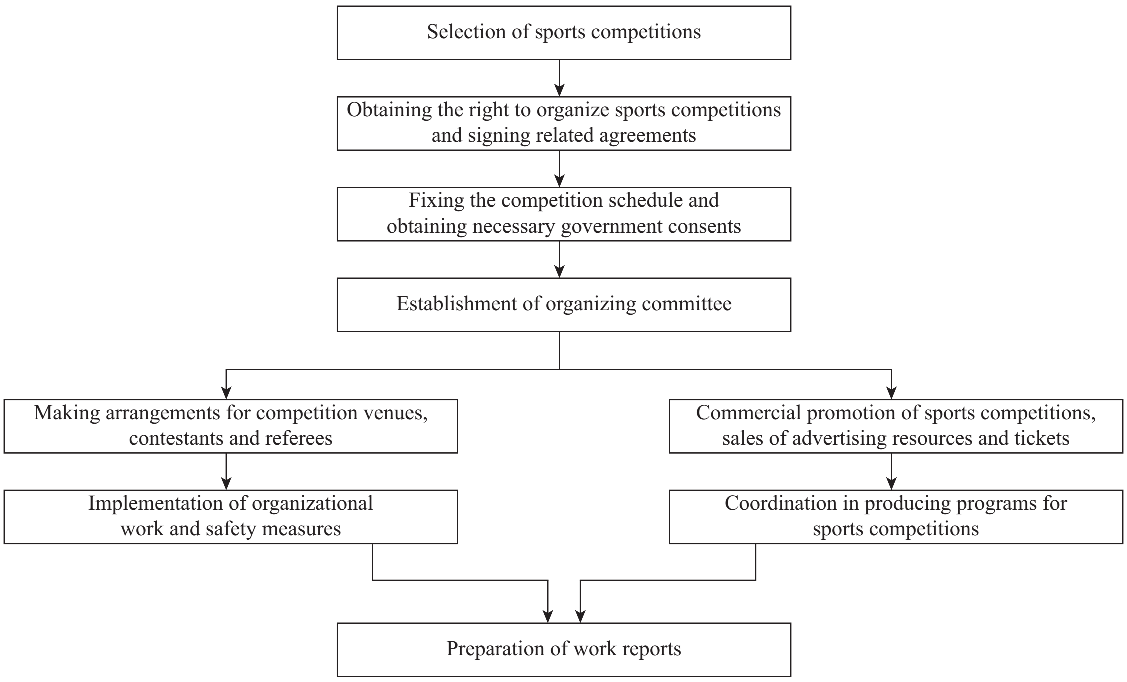
Service process

We regularly identify influential domestic sports competitions and seek opportunities to introduce popular international sports competitions into China. Once we decide to launch a new sports competition, we will cooperate with relevant sports organizations or their authorized agents, such as FASC and Fédération Internationale de Motocyclisme, to obtain the right to hold these competitions. We enter into formal cooperation agreements with the sports organizations or their authorized agents with respect to the detailed arrangements for the organization and management of the competitions. These agreements normally provide the license fees, responsibilities of each party in the organization of these sports competitions, and the marketing and promotional arrangements.

Each year, we coordinate with the sports organizations and co-organizers to fix the schedule of the sports competitions. Once the competition schedule is fixed and necessary government consents are obtained, we will establish an organizing committee to manage the overall planning and implementation of organizational work, as well as approval of payment of operation costs for sports competitions organization in accordance with an implementation schedule. We normally incur majority of operation costs during the "making arrangement for competition venues, contestants and referees" and "implementation of organizational work and safety measures" stages and other operation costs during the "commercial promotion of sports competitions, sales of advertising resources and tickets" and "coordination in producing programs for sports competitions" stages as shown in the service process flow below. With the support from the sports organizations, we solicit participation from highly competitive contestants and appoint authoritative and experienced referees to maintain the professionalism and fairness of the competitions. We also make comprehensive and detailed arrangements for each sports competition with respect to safety (including fire safety) of the contestants and the audience, public sanitation and environmental protection. During the Track Record Period and up to the Latest Practicable Date, we did not incur any financial liability as a result of any accidents in such sports competitions that would have a material adverse effect on our operating results or financial condition.

In addition, we market the sports competitions to our clients and sell the sponsorship rights and advertising space at the competition venues. To further promote our sports competitions among a wider public group, we will cooperate with media operators to broadcast the sports competitions live or record the sports competitions for later broadcast as TV programs produced by us. These sports competitions contribute to the overall popularity of our TV programs and strengthen the marketing effectiveness for our clients. Finally, we prepare a report regarding our work in the organization of the sports competitions that summarizes the experience and achievements for our clients' and our own internal reference. The data we collect from these sports competitions and other events regarding contestants, attendees and sponsors is added to our database as a valuable resource for our research on industry trends to improve our future marketing strategies.

The service process flow for our sports competitions organization business is set out below.



AWARDS

The table below sets out the major awards that we received since 2010:

Year	Awards
2010	Media Company with Most Influential Brand (最具品牌影響力傳媒公司)
	CV Awards Top 100 Growth Companies of the Year (CV Awards 最具潛力企業100)
2011	Golden Partner Award of China Advertising Great-Wall Awards for Advertisers (廣告主長城金夥伴獎)
	Chinese Advertisement Company with Golden Comprehensive Strategy (中國廣告金牌綜合策略公司)
2012	Golden Partner Award of China Advertising Great-Wall Awards for Advertisers (廣告主長城金夥伴獎)
	Chinese Advertisement Company with Golden Comprehensive Strategy (中國廣告金牌綜合策略公司)
	Integrated Marketing Communications Award of Automobile Industry in China (中國汽車行業整合傳播大獎)
	Outstanding Contribution to Automobile and Motorcycle Sports in China (中國汽車摩托車運動突出貢獻獎)
	Outstanding Contribution Award for Media Investment Management Service Providers for CCTV Advertisements (中央電視台年度承包公司傑出貢獻獎)

SALES AND MARKETING

Sales and marketing functions are important to our business. Our sales and marketing strategy focuses on promoting our marketing communications capabilities to maintain relationships with our current clients, and to develop relationships with new potential clients. As of December 31, 2012, we had 63 employees dedicated to our day-to-day sales and marketing activities. Our sales and marketing department comprises five teams, specializing in sales to key clients in the automobile industry, sales of TV programs produced by us, sales in connection with sports competitions organized by us, sales of CCTV advertisements and sales strategies of marketing communications services.

We seek to foster relationships with our current and potential clients, which are mostly automobile and other brand owners, as well as PRC-based advertising agencies. We meet with brand owners and their advertising agencies that may have a need for any of our services, and we discuss their media placement needs for their products or services or for any products or services they represent on behalf of others. These meetings provide us with an in-depth understanding of the current automobile and other brand marketing communications developments in the PRC, as well as related demand for our services, industry trends and potential market opportunities. Sometimes these client meetings provide us with feedback on our services and our cooperative relationships with media resources that help us refine our services and attract new clients. We offer rebates to some of our large clients, particularly those advertising agencies. The range of rebates we may offer depends on the types of services purchased by these clients and the brand owners represented by them. For example, the rebates may vary for the advertising time slots for different CCTV programs held by us.

Our sales and marketing department holds meetings with our program production department and sports competitions and events department periodically to discuss new projects and market opportunities. Our close relationship with current clients and potential clients enables us to promptly receive their feedback on proposed new projects. This feedback can help us enhance the quality and popularity of our new projects before launch and increase their success rates. In addition, our sales and marketing department actively identifies the clients' demands and designs customized plans for our clients based on the products and services offered by us. We seek cross-selling opportunities to provide a full range of marketing communications services to our clients, such as placement of embedded advertisements in video programs produced by us, sponsorship in sports competitions organized by us and placement of advertisements on various media platforms arranged by us. For example, some clients that initially sponsor our sports competitions also engage us to place their advertisements on various media platforms in connection with the relevant sports competitions to enhance their brand recognition. Furthermore, our planned launch of new products and services helps us to maintain current clients as well as attract new clients.

As a provider of entertainment TV programs and sports competitions targeting the general public, we are able to market our products and services through multiple channels, such as press conferences for new TV programs and sports competitions, trailers for new TV programs and media visits at the production venues of TV programs. These marketing events may enhance the understanding of our services by the general public and help us solicit business opportunities from potential clients.

Furthermore, we provide on-the-job training for our sales and marketing department in order to improve their knowledge and experience. We also require them to attend external seminars, including those sponsored by our media partners and clients, that are intended to improve their ability to communicate with automobile and other brand owner clients. We also have a bonus system to incentivize our sales and marketing team to continually improve their work efficiency, and also to help reduce turnover.

CLIENTS

Our main clients include automobile companies and other high-end brand owners, as well as the advertising agencies that represent them. We enter into contractual arrangements with these clients, which are all Independent Third Parties. As the customary practice in the marketing communications industry, some brand owners designate advertising agencies, including PRC affiliates of large 4A advertising agencies, to retain us on their behalf to provide services to them. In these kinds of arrangements, we usually enter into a service contract with the advertising agency that specifies the end customer of our services and describes in detail the services we will provide and relevant terms and conditions.

During the Track Record Period, we served 314 brands, of which 105 were in the automobile industry and 209 were in non-automobile industries, including the financial products, consumer electronics, wine and liquor, high-end apparel and tourism industries. Our revenues (inclusive of sales-related taxes) generated from non-automobile-related brand owners accounted for approximately 32.9%, 40.6% and 60.3% of our revenues (inclusive of sales-related taxes) in 2010, 2011 and 2012, respectively. Many of our current clients have been our clients for more than four years.

The following tables set forth the breakdown of the brand owners we have served during the Track Record Period in each of our business units by industries to which relevant brands belong:

Wisdom Branding:

	For the year ended December 31,		
	2010	2011	2012
Industries			
Automobile-related	31	42	26
Tourism	3	17	15
Wine and liquor	9	10	12
Food and beverage	4	9	11
Electrical appliances	3	9	9
Others	21	25	22
Total	**71**	**112**	**95**

Wisdom Program:

	For the year ended December 31,		
	2010	2011	2012
Industries			
Automobile-related	11	32	34
Tourism	—	7	12
Wine and liquor	—	2	3
Food and beverage	1	—	3
Electrical appliances	—	1	2
Others	1	4	6
Total	**13**	**46**	**60**

Wisdom Sports:

	For the year ended December 31,		
	2010	2011	2012
Industries			
Automobile-related	11	17	6
Food and beverage	—	—	3
Tourism	—	—	2
Financial institution	—	—	2
Apparel	—	1	2
Others	—	4	5
Total	**11**	**22**	**20**

We believe that we have an integrated business model. The revenues generated from our clients who purchased services or products from two or more of our business units during the relevant years accounted for 45.6%, 56.8% and 44.5% of our revenues (inclusive of sales-related taxes) for the years ended December 31, 2010, 2011 and 2012, respectively. The revenues (inclusive of sales-related taxes) generated from our clients who purchased services or products from two or more business units were RMB140.6 million, RMB275.7 million and RMB256.5 million in the years ended December 31, 2010, 2011 and 2012, respectively.

We are developing a diversified customer base. For the years ended December 31, 2010, 2011 and 2012, our top five clients accounted for approximately 31.7%, 25.2% and 34.3% of our revenues (inclusive of sales-related taxes), respectively. Most of our top five clients during the Track Record Period were advertising agencies which directly entered into agreements with us. These advertising agencies normally represented several brand owners including GAC Toyota and BYD. Our largest client accounted for approximately 7.9%, 6.5% and 12.3% of our revenues (inclusive of sales-related taxes), respectively, for the years ended December 31, 2010, 2011 and 2012.

Our active clients refer to those clients who purchased services or products from us in each year during the Track Record Period. The total revenues generated from our active clients during the Track Record Period accounted for 44.6% of our aggregate revenues (inclusive of sales-related taxes) during the same period. During the Track Record, the majority of our active clients operated in the automobile-related industry and the other active clients operated in the industries of furniture and household appliances, food and beverage, and financial services.

We entered into an agreement with one of our top five clients in 2012 to sell to it the exclusive rights to all of the advertising time slots for "Treasure Hunt (尋寶)" for 2013, except that under the agreement, we have reserved our rights to sell such amount of the advertising time slots as requested by and to another advertising agency specified under the agreement representing its existing end-customers. As our direct sales to the aforesaid advertising agency would reduce the amount of advertising time slots for "Treasure Hunt (尋寶)" available for sale by this top five client, under our agreement with this top five client, any profit (net of the corresponding media costs, tax and fees) generated from our sales to this advertising agency would be shared equally between us and the aforesaid top five client.

MEDIA RESOURCES AND OTHER SUPPLIERS

The majority of suppliers in our branding services unit are media operators. We procure advertising time slots from television stations and advertising space from outdoor and other media operators for our clients' advertisements. In selecting appropriate media resources for procuring advertising time slots and space, we take several factors into account, including the reputation and market recognition of the media operator, target audience and geographic coverage and rating of the media operator. We carefully select the appropriate media resources and media operators for each of the clients we serve.

We have stable business relationship with CCTV, an Independent Third Party, since 2007 and have entered into contractual arrangements with them to obtain exclusive advertising rights to a number of TV programs and acquire advertising time slots. We believe that our cooperation with CCTV is one of the reasons we are able to retain existing clients and attract new clients. During the Track Record Period, we acquired the exclusive rights to all or part of the advertising time slots of certain programs on CCTV, including "World Express (國際時訊)", "News Weekly (新聞週刊)", "World Weekly (世界週刊)", "Treasure Hunt (尋寶)" and "Oriental Horizon (東方時空)." The media costs of these TV programs are relatively high and, therefore, CCTV accounted for a large proportion of our cost of services compared with other suppliers during the Track Record Period. Our exclusive agreements with CCTV on those selected programs normally have a term of one year. The price for the advertising time slots generally increases each year based on mutual negotiation.

To better implement our business strategy of developing program production and sports competitions organization businesses and strike a balance of the development of our three business units, we decided to focus on launching new TV programs and sports competitions in 2012 when we formulated our business plan for the next year in the end of 2011. In addition, we then anticipated that the slowdown of the growth in the PRC economy in the fourth quarter of 2011 would continue in 2012 and might adversely affect the volume of advertisements to be placed by our clients. We had sufficient financial resources to pay the deposits for advertising time slots for all of five TV programs in 2012 and sufficient management resources and staff to manage our media investment management, program production and sports competitions organization businesses, had we acquired the exclusive rights directly from CCTV. However, based on our business strategy and the macroeconomic environment, we decided to cooperate with a third party in our media investment management services which would allow us to divert part of our resources to program production and sports competitions organization businesses and manage the potential downside risks in branding services.

Beijing Qili, our client with good business relationship with us during the Track Record Period, expressed an interest in acquiring the exclusive rights to advertising time slots for some TV programs then held by us with an aim to strengthen its media investment management business. Beijing Qili is an Independent Third Party. Our Company, subsidiaries (including those held through the Structured Contracts), shareholders, directors and their respective associates confirmed that they do not have any past or present relationship (including, without limitation, business, family or trust relationship) with Beijing Qili or its shareholder. For the years ended December 31, 2010, 2011 and 2012, Beijing Qili accounted for 2.3%, 1.5% and 12.3% of our revenues (inclusive of sales-related taxes), respectively. While Beijing Qili purchased only from our Wisdom Program and Wisdom Sports units in 2010 and 2011, it became more involved as an authorized advertising agency in 2012 and acquired from us advertising time slots for "World Express (國際時訊)" and "Oriental Horizon (東方時空)", which were daily TV programs, that could be cross sold with Beijing Qili's advertising time slots for weekly TV programs, including "News Weekly (新聞週刊)", "World Weekly (世界週刊)" and "Treasure Hunt (尋寶)" in 2012.

In order not to substantively reduce the amount of our advertising time slots for TV programs, and taking into account the marketing capability of Beijing Qili, we agreed to cooperate with Beijing Qili for the purchase and sales of advertising time slots for three weekly TV programs, namely "News Weekly (新聞週刊)", "World Weekly (世界週刊)" and "Treasure Hunt (尋寶)". Therefore, even though we were entitled to the right to renew the agreements with CCTV in connection with all of those five TV programs for another year upon their expiration on December 31, 2011, we only renewed our agreements with CCTV for the exclusive rights to advertising time slots for the two daily programs namely "World Express (國際時訊)" and "Oriental Horizon (東方時空)". In respect of the exclusive right to advertising time slots for the three weekly TV programs for 2012, we informed CCTV that we decided to cooperate with Beijing Qili to exercise the renewal in practice through a business arrangement. As confirmed by a representative of CCTV, CCTV was aware that Beijing Qili is an Independent Third Party of the Group. By this arrangement, Beijing Qili could directly acquire from CCTV the exclusive rights to advertising time slots for these three TV programs and subsequently enter into an agreement with us to sell the exclusive rights to 50% of advertising time slots for these three TV programs, allowing us and Beijing Qili to split the potential downside risks of acquiring the exclusive rights to these advertising time slots.

We believe that CCTV considered this arrangement reasonable as the agreements under this arrangement contain terms substantially similar to the relevant agreements for 2010 and 2011 and hence would not be detrimental to CCTV and that CCTV had made similar arrangements with respect to its advertising resources for other TV programs granted to other advertising agencies. Also, we believe that as Beijing Qili intended to become more involved as an authorized advertising agency in 2012, Beijing Qili considered the above arrangement reasonable. As a result, CCTV granted the exclusive rights to advertising time slots for the three weekly programs namely "News Weekly (新聞週刊)", "World Weekly (世界週刊)" and "Treasure Hunt (尋寶)" directly to Beijing Qili in 2012 without holding a public auction process, which is consistent with our belief that it is a usual practice of CCTV that only when the existing advertising agency decides not to renew or has breached its agreement with CCTV, CCTV would then initiate ad-hoc public auctions for the exclusive rights to the relevant advertising resources. We do not consider this business arrangement as assignment of exclusive rights to the advertising time slots for these three CCTV programs from us to Beijing Qili. Subsequently, Beijing Qili entered into an agreement with us and agreed to sell to us the exclusive rights to 50% of advertising time slots for these three TV programs at cost. We did not sell to Beijing Qili any of our advertising time slots for these three TV programs for 2012 and Beijing Qili did not sell to us any of their remaining 50% of advertising time slots for these three TV programs for 2012; however, under the agreement between Beijing Qili and us, when the overall demand of our clients for these advertising time slots exceeded the amount to which we had acquired, we were entitled to acquire additional amount of advertising time slots at cost from Beijing Qili to satisfy the demand of our clients. The term of this agreement was one year with an expiration date of December 31, 2012. We did not have any profit sharing arrangement with Beijing Qili in connection with such cooperation. Therefore, in 2012, Beijing Qili became one of our suppliers for the advertising time slots for these three TV programs and also continued to be one of our clients for the advertising time slots for the other two CCTV TV programs we offered.

As Beijing Qili only sold 50% of advertising time slots for those three weekly TV programs to us, our committed media costs in respect of these TV programs were reduced by half in 2012, which helped control our risks. Instead of making a deposit for advertising time slots for relevant TV programs before the beginning of the contract year and prepaying the media costs to CCTV each month, we were only required to make payments to Beijing Qili according to our actual placements of advertisements each month and settle the committed media costs by the end of each half year. In addition, pursuant to our agreement with Beijing Qili, we may place more advertisements by paying additional media costs, which offered more upside flexibility. Under such arrangement with Beijing Qili, we were able to have more flexibility in managing our cash flow for each of our three business units and implementing our business strategy in the uncertain economic environment in 2012. This arrangement offered an opportunity for Beijing Qili to tap into the media investment management industry in the PRC, in particular, establishing a cooperation with CCTV and became an authorized advertising agency of CCTV. This allows Beijing Qili to leverage on their position to further expand their media investment management business in the PRC. The Directors do not consider Beijing Qili as a potential competitor of our Company on the basis that (i) Beijing Qili only has a short track record in this industry; and (ii) their relationship with CCTV was built upon our relationship with CCTV and Beijing Qili did not have as strong tie with CCTV as compared to our track record with CCTV.

We focused in building up our Wisdom Sports and Wisdom Program platforms in 2012 and successfully launched new sports events and new TV programs. As we plan to further integrate our three business units and develop more cross-selling opportunities and are confident in the market demands of our media investment management services in 2013, we decided to discontinue our cooperation model with Beijing Qili in 2013. Although the cooperation model with Beijing Qili has been discontinued, we believe that such arrangement was beneficial to us as well as Beijing Qili. We were able to control our financial risk in an anticipated slowdown of growth in the PRC and Beijing Qili was able to tap into the media investment management industry in PRC. We will continue to maintain good business relationship with and offer our services to Beijing Qili. After the expiration of our agreements with CCTV for the exclusive rights to advertising time slots for "World Express (國際時訊)" and "Oriental Horizon (東方時空)" and our agreement with Beijing Qili for the exclusive rights to 50% of advertising time slots for "News Weekly (新聞週刊)", "World Weekly (世界週刊)" and "Treasure Hunt (尋寶)" on December 31, 2012, CCTV has agreed to grant us the exclusive rights to advertising time slots for these five TV programs in 2013 and issued authorization certificates for the sales of relevant advertising time slots to us. We acquired the exclusive right to advertising time slots for these five TV programs in 2010 and continued to hold such rights during the Track Record Period and up to the Latest Practicable Date, except for the aforementioned business arrangement in relation to the advertising time slots for the three weekly TV programs in 2012. We believe that at the relevant time before the expiration of the relevant agreements for these three weekly TV programs for 2012, Beijing Qili did not engage CCTV on any discussion or indicate to CCTV any intention in respect of the renewal of the relevant agreements and based on (i) the aforementioned business arrangement, (ii) our stable relationship with CCTV, and (iii) our track record as the advertising agency for these three TV programs, CCTV decided to grant us the exclusive rights to the advertising time slots for these three TV programs for 2013. We entered into formal agreements with CCTV with respect to the exclusive rights to advertising time slots for these five TV programs in 2013. The terms of these agreements is one year with an expiration date of December 31, 2013. We cannot assure you that our existing exclusive rights to advertising time slots for the five CCTV programs will be renewed after the end of 2013. For the risk relating to the renewal of our existing exclusive rights to advertising time slots for the five CCTV programs, see "Risk Factors — Our cooperative relationship with CCTV and other media resources has been, and is expected to continue to be, critical to our business and financial performance. Failure to enter into new, or renew, the existing exclusive agreements with CCTV and other media resources on commercially feasible terms or at all would materially and adversely affect our business, results of operations and financial condition". From January 1, 2013 up to the Latest Practicable Date, while Beijing Qili did not purchase any of our products or services, based on public information, it remains to be one of the authorized advertising agencies of CCTV.

We also secure other valuable and effective media resources from satellite TV channels with nationwide coverage and local TV channels, Internet portal sites and online television platforms in China and other outdoor media, depending on the specific marketing demands of our clients. During the Track Record Period, we also secured media resources from magazines and video screens on trains and airplanes.

In addition to media operators, the majority of suppliers in our program production business unit are service providers for program production related work. We outsource a small portion of our work, consisting mostly of labor-intensive and technical or logistical supporting work, to third party service providers, such as the stage setting and motion design. We also lease production studios and recording leasing studios from third parties from time to time depending on the production schedule of relevant TV programs. During the Track Record Period, we incurred approximately RMB10.1 million, RMB23.6 million and RMB12.8 million for production related costs excluding media costs, which include production and recording studio leasing, equipment leasing, stage setting and motion design, and other related costs. As the available time slots and the production quality of the production studios and recording studios currently leased by us may not satisfy our increasing demands of media production work and keep pace with the latest technology development in this field, we plan to build our own high-definition production studios and recording studios.

The majority of suppliers in our sports competitions organization business unit are venue providers and logistics service providers in connection with the organization and promotion of sports competitions and events. We aim to ensure that the brand owners we are servicing have channels of brand exposure that are adequate to reach their target audience, and that the spaces where these activities take place have enough capacity and adequate facilities to properly serve the brand owner's needs. Therefore, we work with venue providers and other service providers that have the capacity and facilities to reach the brand owner's target audience and, where necessary, cooperate with other event organizers to ensure that our clients' needs are met. In addition, we engage event management and public relations companies to provide support services to us for the events we organize and manage.

For the years ended December 31, 2010, 2011 and 2012, our five largest suppliers accounted for approximately 90.1%, 92.4% and 89.5% of our total purchases, respectively. Our largest supplier, CCTV, accounted for approximately 80.4%, 85.7% and 72.7% of our total purchases for the years ended December 31, 2010, 2011 and 2012, respectively. Our Wisdom Program unit had 11, 19, 21 suppliers with transaction amount of RMB100,000 or more per year for the years ended December 31, 2010, 2011 and 2012, respectively. Our Wisdom Sports unit had 5, 6, 18 suppliers with transaction amount of RMB100,000 or more per year for the same periods, respectively. Our Wisdom Branding had 6, 11 and 6 suppliers with transaction amount of RMB100,000 or more per year for the same periods, respectively.

During the Track Record Period, we secured the exclusive rights to the advertising time slots, advertising space, naming rights and embedded advertisement of certain TV programs from CCTV and the exclusive rights to the advertising space, naming rights and embedded advertisement of certain TV programs from Shenzhen Satellite TV, Chongqing Satellite TV and over 120 local TV channels with the coverage in various cities in 26 provinces in China.

CCTV is China's largest and most influential television network with 37 channels and nationwide coverage. In 2012, the viewership population of CCTV was estimated by Ipsos to be about 768 million. Due to its extensive network coverage, it is often the preference of our existing and potential clients to broadcast their advertisements on CCTV which they believe their products or services can gain maximum exposure and recognition. Although we believe that strong demand for CCTV advertising time slots from our clients will continue and CCTV will continue to be our single largest supplier, we have taken and will continue to take necessary measures to control the risk of reliance on CCTV, including:

(i) We have developed business relationships with media operators in China and offer our clients effective access to their target audience and potential customers through these media operators, including satellite and local TV channels, such as Chonqing Satellite TV. We intend to establish relationships with other media operators in China and explore new media channels such as the Internet (including social media), advanced mobile communications systems (including smart phones and mobile TV devices and platforms) and outdoor media (including outdoor digital bulletin boards) which will enable us to offer wider range of media selection for our customers when they select a media operator or the type of media channel for broadcasting their advertisements. We believe that we are able to optimize the mixture of our suppliers by further diversifying our media resources and media channels.

Our current plan includes: (i) we will be focused on cooperating with media operators that possess media resources with costs structure and sales potential which would allow us to maintain or further improve our overall gross profit; we may evaluate media resources of mobile media operators, outdoor media operators and a few select non-CCTV media operators in the Southern China region in which, we believe, a good selection of such non-CCTV media operators have operation and (ii) we will continue to develop our own website (www.luckygo.com.cn), which presents information on automobiles from various aspects and combines our above-the-line and below-the-line resources.

Our estimated capital expenditures would be in the amounts of approximately RMB230,000 and RMB340,000 for 2013 and 2014, respectively, for further development of our own website (www.luckygo.com.cn) and would include: (i) investment costs on servers and storage hardware and related cleanroom set up; and (ii) licensing fees for software development.

(ii) Under the agreements with CCTV, the Company is not subject to any restriction from cooperation with other media operators in connection with any matter, including (i) acquiring the exclusive rights to advertising time slots from other media operators; and (ii) broadcasting clients' advertisements with other media operators even if such advertisements are also broadcasted on CCTV.

We will continue to ensure that we are not subject to any aforesaid restriction in any future agreements with CCTV or other media operators such that we can continue to expand our network of media operators.

(iii) Unlike other traditional CCTV advertising agencies, we have engaged in production of several CCTV programs, including "CCTV Automobile of the Year (CCTV 中國年度汽車評選)" broadcasted in 2007, "Special Report on International Automobile Exhibitions (國際車展特別報導)" in 2008 and "Auto Fashion (車風尚)" from 2011 to 2013, and other TV programs, including "Rapid Heartbeat (加速心跳)" broadcasted from 2010 to 2011, "Driving Fashion (駕尚)" from 2011 to now, "Lucky Go (週末駕到 /天天駕到)" from 2012 to now and "China Trends (中國潮)" in 2013, for other media operators and also plan to launch two new entertainment TV programs in 2014. As we have been engaged by CCTV and other media operators for production of TV programs for an established period of time, we believe our TV programs are of high-quality. We can leverage quality TV programs we produce not only to exchange for advertising resources from CCTV and other media operators, but also to benefit them by offering these quality TV programs to complement their respective TV programs. This strategy would allow the Company to maintain a business relationship with CCTV and other media operators in China.

As our current plan, we aim to continue to leverage our high quality TV program to exchange more advertising resources. Please refer to item (iv) below for our current plan and estimated capital expenditures of our program production business.

(iv) Leveraging our corporate client base, we have made efforts to diversify our business through developing our program production and sports competitions organization businesses, which may also provide other advertising channels.

Our current plan of our program production business includes; (i) we launched a new TV program "Lucky Go (週末駕到 /天天駕到)" with Chongqing Satellite TV in November 2012; upon the expiration of the current term of our agreement with Chongqing Satellite TV on December 31, 2013, we are entitled to the renewal right for another two years; (ii) we recently launched a weekly 30 minute news commentary TV program "China Trends (中國潮)" in March 2013, which is currently broadcasted through a network of local TV channels; and (iii) in May 2013, we entered into a letter of intent with a satellite TV channel in China for the production of a military-themed TV program by us, tentatively scheduled to be broadcasted on the satellite TV channel in the second half of 2013, and the exploitation of commercial resources derived from the TV program. Our current plan of our sports competitions organization business includes: (i) in May 2013, we entered into an agreement with the Aviation Radio Model Sports Management Center of the PRC's State Sports General Administration (國家體育總局航空無線電模型運動管理中心) to organize a hot air balloon championship in China in November 2013; and (ii) we also plan to organize a new marathon in Hangzhou in the second half of 2013.

As we expect to operate our program production business in 2013 based on existing equipment and facilities and expand the volume of and improve the technology used in the business in 2014, our estimated capital expenditures would be in the amounts of approximately RMB1 million and RMB114 million for 2013 and 2014, respectively, for our program production business and would include: (i) building of production and recording studios; (ii) purchase and installment of required production and post-production equipment; and (iii) customized industry-specific stage equipment and lighting. We currently do not expect to incur any capital expenditures for our sports competitions organization business for 2013 and 2014, after which, we expect to incur capital expenditures, including payment of license fees or registration fees for new sports competitions and expenses for competition facilities.

(v) We plan to acquire exclusive rights to more advertising time slots for part or all TV programs broadcasted on satellite and local TV channels in affluent areas in China.

We believe that our ability to maintain a balance among a wide range of media resources and to offer a broad range of services has enabled us and will continue to enable us to control the risk of reliance on CCTV. For further details of our expected capital expenditures relating to the above measures, please refer to section headed "Future Plans".

In the event that we fail to renew our existing agreements with CCTV, as our contingency plans, we intend to reallocate our deposit with and prepayment to CCTV freed up after such non-renewal to (i) acquire other media resources from other CCTV programs or other media operators and (ii) further develop and expand Wisdom Program and Wisdom Sports units which have enjoyed higher profit margin as compared with Wisdom Branding unit during the Track Record Period.

For the risks relating to our reliance on CCTV and the renewal of our existing exclusive rights to advertising time slots for the five CCTV programs, see "Risk Factors — Our cooperative relationship with CCTV and other media resources has been, and is expected to continue to be, critical to our business and financial performance. Failure to enter into new, or renew, the existing exclusive agreements with CCTV and other media resources on commercially feasible terms or at all would materially and adversely affect our business, results of operations and financial condition".

QUALITY CONTROL

We have strict requirements for the basic qualifications of our program production supervisors, directors, photographers, reporters and editors. Our program production center has also formulated basic requirements in respect of topic selection, post-production and internal review and rating of finished video programs. These measures ensure the consistent quality of our TV programs and other video programs.

In order to ensure that we produce only high quality programs, we have strict topic submission requirements, and we also have an examination and approval procedure for the program production process. Our quality management topic submission requirements mainly focus on whether a topic can feasibly be included in a program from a cost, time, content, method and regulatory approval perspective. Furthermore, we have specific standards for the broadcast tapes in respect of voice quality, accuracy and speed of subtitles, packaging, picture quality and other key items and have adopted detailed rules for the storage and transmission of broadcast tapes.

We review the content of the programs that will be broadcasted to ensure that each individual episode is connected to the series as a whole. The responsible editor and the program's general supervisor review each episode before it is sent to the producers for further review. We have implemented a program rating system, which sets out the detailed requirements for the finished programs. Every month, a committee that is composed of the producers and the program's general supervisor, will review and rate each program based on a defined scale, and each director's compensation will be influenced by such ratings. We also review video programs and our clients' advertisement to make sure they comply with the applicable rules and special requirements of media operators with respect to the media content and advertisement content.

We also have specific rules to ensure the safety and fairness of our sports competitions. We have adopted stringent requirements with respect to the selection of venue and suppliers, safety of contestants, audience and staff (including fire safety), purchase of life and property insurance policies, onsite security, seating of the audience, public sanitation and environmental protection, and formulated procedures and standards for the selection of staff responsible for these matters. Our organizing committee and referee group also review the qualifications of contestants and strictly implement the competition rules.

We utilize an incentive system that links compensation with the level of responsibility and performance on a project. By standardizing all of our businesses with a procedural specification, and clearly stating each job position's responsibility on the project, we have improved our businesses' levels of standardization and overall quality. We create bonus funds that are awarded for high quality work. In addition, clients' acknowledgements and feedback on the quality of work of our individual employees is recorded and taken into account for compensation purposes.

We aim to provide the highest quality products and services to our clients. As of the Latest Practicable Date, there was no significant dispute, lawsuit, or arbitration brought against us due to a client's dissatisfaction.

RESEARCH AND DEVELOPMENT

In order to better understand our clients' business needs and adapt to the changing trends of the marketing communications industry, we have invested in several research and development initiatives. We recently set up a team in charge of the launch and maintenance of our website, as a new media platform to serve our clients. We are also in the process of building up a research center dedicated to (i) researching evolving industry trends and consumer behavior and preferences, (ii) researching new and innovative media platforms and channels, and (iii) developing new products and services. We have set up a proprietary consumer information database based on the information we accumulated from prior program production, organization of sports competitions and event marketing. We plan to further enhance this database by improving our data collection methods and analysis tools. We are also in the process of enhancing our media information database to analyze viewership rates of media resources and customer preferences for media resources. In addition, we have established a reward mechanism to ensure that we create innovative video programs. In order to encourage and enhance our team's creativity, we have also formulated and implemented a reward for the Wisdom Program staff member that proposes the best program topic each year.

CREDIT POLICY AND CONTROL

We have adopted stringent credit control procedures, and we monitor our working capital on an on-going basis to minimize potential credit risks. Our chief financial officer is responsible for implementing our credit policy and monitoring the settlement of our receivables. Since we provide marketing communications services, our clients are mainly reputable brand owners (and the advertising agencies that represent them) that do not generally have a history of payment defaults. Also, we believe that, in general, we are able to capitalize on the quality of our existing clients and our relationships with them to attract and secure other high quality clients that have sound credit standing and no history of defaulting on their debts, which helps to further reduce our credit risk.

EMPLOYEES

As of December 31, 2010, 2011 and 2012, we had 121, 154 and 163 full-time employees in China, respectively. The following table sets forth the number of our staff by functional role as of December 31, 2012:

	Number of employee	Percentage
Sales and marketing	63	38.7%
Program production	26	16.0%
Sports competitions and events	21	12.9%
Branding and identity services	7	4.3%
Management and administration	39	23.9%
New Media	7	4.3%
Total	163	100%

We offer our employees competitive compensation packages and various training programs, which are intended to attract and retain qualified personnel. As of December 31, 2012, 56.4% of our employees held undergraduate degrees or above.

The remuneration package of our employees includes salary, bonus and other cash benefits and benefits in-kind. As required by PRC regulations, we participate in various employee benefit plans that are organized by local governments, including housing, pension, medical and unemployment benefit plans. We are required under PRC laws to make contributions to the employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local governments from time to time. The total amount of contributions we made to employee benefit plans for the years ended December 31, 2010, 2011 and 2012 was approximately RMB1.3 million, RMB2.6 million and RMB4.9 million, respectively.

We typically enter into a standard employment agreement and a confidentiality agreement with our employees. We believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations.

INSURANCE

During the Track Record Period, we maintained statutory social insurance coverage for our employees and management. For the sports competitions we organized, we also purchased insurance policies for the contestants and on-site working staff. Based on our industry experience and the market practice in the PRC, we believe that the insurance coverage maintained by us is adequate for our current business operations.

INTELLECTUAL PROPERTY RIGHTS

As of the Latest Practicable Date, our Group had registered 17 trademarks in the PRC, had applied for registration of two trademarks in the PRC and had registered 39 domain names in the PRC. Details of our material intellectual property rights are set out in the subsection "Intellectual Property Rights" in Appendix IV to this document.

COMPETITION

The marketing communications industry in China is highly competitive and fragmented. There are numerous media and marketing channels that our clients could use to promote their products or services, including television, radio, magazines, newspapers, outdoor advertising and the Internet. Furthermore, in each media sector there are multiple companies competing for clients' advertising budgets. In particular, we face competition from companies that adopt a similar business model as ours or offer marketing communications channels that are comparable to our offerings.

The marketing communications industry in China is a talent-intensive industry. It is difficult for new and inexperienced marketing communications service providers to understand the client-side business and domestic consumer behavior and develop a long-term strategic partnership with sizable clients. As these sizable clients have relatively high requirements on different aspects such as service network, knowledge of local market, industry experience etc. For capital insufficient marketing communications service providers, they face great challenges to enter this industry because dominant TV channels may require significant prepayment for bulk-purchase of advertising time slots.

TV program production is a highly-regulated industry in China. In order to obtain the Permit for Production and Operation of Radio and TV Programs from the Chinese government, market players need to have well-established production capabilities. Production houses without this permit are not allowed to produce TV programs.

Sports competitions and events organization requires networks, industry knowledge and experience. Companies need to maintain a good relationship with different sports organizations and local governments in order to coordinate the sports competitions and events smoothly. New entrants with insufficient network and experience would find it difficult to obtain the required government approvals and support from different sports organizations.

We mainly engage in the provision of marketing communications services to automobile companies and other brand owners or the advertising agencies that represent them. We compete with other companies in each segment of the services we provide, as follows:

- With respect to our media investment management and branding and identity services, our competitors include PRC affiliates of international 4A advertising agencies, and a small number of domestic advertising companies that provide branding and identity services for clients in industries.

- With respect to program production, we face direct competition from other program producers, including broadcasters that could independently produce programs and operators and television stations that independently produce and broadcast programs.

- With respect to the organization, management and promotion of sports competitions and other events, we face competition from other event management companies.

We compete mainly based on service quality, available advertising time slots, price, reputation, relationships with a variety of media channels, our specific expertise in the automobile and automobile-related sector, and our experience in designing tailored marketing campaigns for our clients.

We believe that our specific expertise in the automobile and automobile-related sector as well as our ability to provide branding services, produce compelling programs and organize sports competitions events represent a significant advantage over our competitors. However, we cannot assure you that we will be able to maintain our competitiveness in this industry. See "Risk Factors — Risks Related to Our Business and

Industry — We face intense competition in the marketing communications industry in China, and if we do not compete successfully against existing and new competitors, we may lose our market share and our business, results of operations, financial condition and prospects may be materially and adversely affected."

PROPERTY

As of the Latest Practicable Date, our Group owned eight properties in Beijing with an aggregate floor area of 1,106 square meters which are used as office premises for our Group. We have obtained the building title certificates for all the properties we own. However, the relevant building title certificates indicate that these properties are for residential use and relevant authorities may require us to conform to the designated usage specified in relevant building title certificates. We believe that even if we are required to relocate any or all of our offices to other places and bear related relocation cost, there would be no material adverse effect on our operations and financial condition. Ms. Ren, one of our Controlling Shareholders, has agreed to indemnify us against all damages that we might incur if we are required to relocate our offices due to the non-compliant use of our owned properties. Details of our owned properties are set out below:

No.	Owned Properties	Gross floor area (sq.m)	Registered Owner
1	Room 701, Floor 7, Bldg 1, 16 Xinyuanli, Chaoyang District, Beijing	161.43	Beijing Wisdom Media
2	Room 702, Floor 7, Bldg 1, 16 Xinyuanli, Chaoyang District, Beijing	114.54	Beijing Wisdom Media
3	Room 703, Floor 7, Bldg 1, 16 Xinyuanli, Chaoyang District, Beijing	114.54	Beijing Wisdom Media
4	Room 705, Floor 7, Bldg 1, 16 Xinyuanli, Chaoyang District, Beijing	161.43	Beijing Wisdom Media
5	Room 706, Floor 7, Bldg 1, 16 Xinyuanli, Chaoyang District, Beijing	116.51	Beijing Wisdom Media
6	Room 709, Floor 7, Bldg 1, 16 Xinyuanli, Chaoyang District, Beijing	114.54	Beijing Wisdom Media
7	Room 710, Floor 7, Bldg 1, 16 Xinyuanli, Chaoyang District, Beijing	161.43	Beijing Wisdom Media
8	Room 711, Floor 7, Bldg 1, 16 Xinyuanli, Chaoyang District, Beijing	116.51	Beijing Wisdom Media

As of December 31, 2012, each of our properties had a carrying amount below 15% of our combined total assets. On this basis, no property valuation report in respect of the Group's property interests is required in reliance upon the exemption provided by Section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

We also lease six properties in Beijing, one property in Shanghai, one property in Guangdong and three properties in Zhejiang from Independent Third Parties for use as our offices and warehouses. The lessors for most of these real property leases have not registered the leases with the relevant PRC authority. Our PRC legal advisers advise us that even though these leases have not been registered, it will not affect the validity of the leases. Furthermore, for one leased property in Guanzhou, the lessor was not able to provide building title certificate or other evidence of ownership, and such lessor may not have proper legal title to lease the relevant property. We believe that even if we are required to relocate to other properties, there would be no material adverse effect on our operations and financial condition. Ms. Ren, one of our Controlling Shareholders, has agreed to indemnify us against all damages that we might incur if any of our leases are deemed invalid. Details of our leased properties are set out below:

No.	Lease Properties	Gross floor area (sq.m)	Leasee	Expiry dates of the leases
1	B3-33, Floor B3, Kunsha Building, 16 Xinyuanli, Chaoyang District, Beijing	18	Beijing Wisdom Media	November 15, 2013
2	Room 4327, Haiyungcang International Building, Dongzhimen, Dongcheng District, Beijing	15	Xinchuang Branding	January 16, 2014
3	Room 4326, Haiyuncang International Building, Dongzhimen, Dongcheng District, Beijing	15	Wisdom Leadership	January 16, 2014
4	Room 812, No. 1508, Jiangpu Road, Yangpu District, Shanghai	43.53	Shanghai Zhizhen	February 28, 2014
5	Room 302, 303, 312, 313, Bldg C, No.39, Liangmaqiao Road, Chaoyang District, Beijing	867.37	Beijing Wisdom Media	July 12, 2013
6	Room 106, No. 146, Fangcun Ave. East, Liwan District, Guangzhou	30	Guangzhou Qibu	May 8, 2015
7	Room 1701-1703, Huatengbeitang Office Area, 37 Nanmofang Road, Chaoyang District, Beijing	15	Wisdom Culture	June 6, 2014
8	Room 102, 1st FL Main Office Building, 118 Longxin Road, Haining Economic Development Area, Haining	50	Zhejiang Wisdom Sports	July 30, 2013
9	Room 103, 1st FL Main Office Building, 118 Longxin Road, Haining Economic Development Area, Haining	50	Zhejiang Wisdom Advertising	July 30, 2013
10	Room 313, Bldg C, No. 39, Liangmaqiao Road, Chaoyang District, Beijing	82.19	Zhejiang Wisdom Advertising	July 12, 2013
11	Room 1101, 1102, 1103, 1104, Bldg B, UDC Times Building, No. 8, Xinye Road, Jianggan District, Hangzhou	1,458.76	Zhejiang Wisdom Sports	November 14, 2015
12	Room 302, 303, 312, 313, Bldg C, No.39, Liangmaqiao Road, Chaoyang District, Beijing(1)	949.56	Beijing Wisdom Media	January 12, 2014

Note:

(1) Lease no. 12 will commence on July 13, 2013, upon expiration of leases nos. 5 and 10.

REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

As of the Latest Practicable Date, we were not involved in any litigation, arbitration, or claim, and our directors are not aware of any litigation, arbitration, or claim that is pending or being threatened by or against us that would have a material adverse effect on our operating results or financial condition.] From time to time, we may be subject to various claims and legal actions that arise in the ordinary course of business.

Our PRC legal advisers have confirmed that, other than those described in "— Property", our Group, including our subsidiaries incorporated in the PRC, have complied with all of the relevant regulatory requirements, and have obtained all the permits, licenses, and approvals necessary for engaging in our business and operations as required by PRC laws and regulations during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, the Company had not been held liable for its clients' advertisement contents by reason of such contents being not in compliance with the relevant regulations.

The Group has an in-house legal and compliance team led by Ms. Hao Bin (郝彬). Ms. Hao obtained the Certificate of Legal Professional Qualification of the PRC in 2010. She has been serving in the in-house legal and compliance team of the Group for approximately three years. Also, the Group retains external legal advisers by way of general retainer and according to its needs from time to time. As such, the Group will be able to obtain timely advice on matters relating to its business, such as licensing, ongoing regulatory compliance, intellectual property matters and litigations arising out of or in connection with the ordinary course of its business.

Our business does not fall into the category of heavily polluting industries. Our operations are in compliance with the relevant environmental requirements, and we strictly comply with national and local rules and standards for environmental protection. As confirmed by our PRC legal advisers, we are not subject to any environment obligations arising from our business operations.

Additional information on the relevant laws and regulations affecting our business is provided in the section of this document headed "Regulatory Overview."

DIRECTORS

Our Board consists of nine members, three of which are independent non-executive Directors. The table below shows certain information in respect of our Directors:

Name	Age	Position	Date of appointment	Responsibilities
Ren Guozun (任國尊) (also known as Ren Wen (任文))	38	Chairlady and executive Director	March 21, 2012	Overseeing our Group's overall management and strategy
Sheng Jie (盛杰)	37	Executive Director	March 21, 2012	Coordination of our Board's affair and legal matters
Zhang Han (張晗)	35	Executive Director	June 14, 2013	Our Group's sales and marketing operations and customer management
Jin Haitao (靳海濤)	59	Non-executive Director	June 14, 2013	Our Group's compliance, corporate governance, development and business strategies
Wang Shihong (王世宏)	80	Non-executive Director	June 14, 2013	Our Group's compliance, corporate governance, development and business strategies
Xu Jiongwei (徐炯煒)	38	Non-executive Director	June 14, 2013	Our Group's compliance, corporate governance, development and business strategies
Wei Kevin Cheng (蔚成)	45	Independent non-executive Director	June 14, 2013	Our Group's compliance, corporate governance, development and business strategies
Ip Kwok On Sammy (葉國安)	50	Independent non-executive Director	June 14, 2013	Our Group's compliance, corporate governance, development and business strategies
Jin Guoqiang (金國強)	68	Independent non-executive Director	June 14, 2013	Our Group's compliance, corporate governance, development and business strategies

Executive Directors

Ms. Ren Guozun (任國尊), also known as Ren Wen (任文), aged 38, was appointed the chairlady of the Board and an executive Director on March 21, 2012. Ms. Ren is the founder of our Group and also serves as our president. She has also served as the general manager and president of Beijing Wisdom Media since its establishment. She is responsible for overseeing our Group's overall management and strategy.

In 2001, Ms. Ren founded 北京智美奧成廣告有限公司 (Beijing ZMAC Advertising Co., Ltd,*) ("**ZMAC**") and served as general manager. Ms. Ren has dedicated to the automobile-related marketing communications and media industry in the PRC since the beginning of her entrepreneurship in 2001 and has more than 12 years of experience. Under the leadership of Ms. Ren, the Ultimate One Litre Challenge (全國一升油極限挑戰賽) was organized in 2000 and ZMAC organized events such as National Driving Skills Challenge (全國萬里駕駛技能挑戰賽) in 2001, Commemoration of the 50th Anniversary of Chinese Automobile Industry (中國汽車工業50周年慶典) in 2003, Summit Forum for the Commemoration of the 50th Anniversary of Chinese Automobile Industry (紀念中國汽車工業五十周年高峰論壇) in 2003, Film Breakthrough for the Commemoration of the 50th Anniversary of Chinese Automobile Industry (紀念汽車工業五十周年大型專題片突破) in 2003. Ms. Ren founded the "Highway for Famous Automobiles (名車高速路)" series in 2003. ZMAC also organized the Special Report on International Automobile Exhibition (車展特別報道), Automobile of the Year (年度汽車評選), and National Urban Automobile Fuel Efficiency Extreme Challenge (全國城市汽車節油挑戰賽). She was also the person-in-charge for events such as the Auto Starlight & Green Fashion (車影星光綠色風尚祝福奧運環保公益活動) in 2008. Ms. Ren was a member of the judge panel of the Effie Media Award in 2011 and the executive vice president of nomination committee of the 3rd Forum on Film Editing & Development of Chinese Cinema cum Person of the Cinema Award 2012 (第三屆中國電影發展論壇暨2012電影推動力論壇). Ms. Ren was named "one of the top 100 women of Brand China (品牌中國)" in 2008. Ms. Ren obtained a diploma in journalism from the Beijing Broadcasting Institute (北京廣播學院) (now the Communication University of China (中國傳媒大學)) in January 2000.

Ms. Ren has not been a director of any publicly listed company during the three years preceding the date of this document.

Mr. Sheng Jie (盛杰), aged 37, was appointed an executive Director on March 21, 2012. Mr. Sheng is one of the co-founders of our Group, and has been the vice president of our Group since October 2009. He is responsible for the coordination of our Board's affairs and overseeing our Group's legal matters. Mr. Sheng joined ZMAC in April 2002, and served as deputy general manager. After the establishment of Beijing Wisdom Media, he served as general executive manager from January 2007 to September 2009. Mr. Sheng has over 10 years of experience in the marketing communications industry. Mr. Sheng obtained a bachelor's degree in English language from Shandong University (山東大學) in July 1998 and obtained a diploma in business management from the University of International Business and Economics (對外經濟貿易大學) in July 2009.

Mr. Sheng has not been a director of any publicly listed company during the three years preceding the date of this document.

Mr. Zhang Han (張晗), aged 35, was appointed an executive Director on June 14, 2013. Mr. Zhang is one of the co-founders of our Group and has been the vice president of our Group since October 2009. He is responsible for our Group's sales and marketing operations and customer management. He served as deputy general manager of ZMAC from August 2003 to December 2006, and deputy general manager of Beijing Wisdom Media from January 2007 to September 2009. Mr. Zhang has over 9 years of experience in the marketing communications industry. Mr. Zhang obtained a diploma in law from Shaanxi Administrative Cadre Institute of Politics and Law (陝西省政法管理幹部學院) (now known as Shaanxi Police Officer Training College (陝西警官學院)) in July 1999 and obtained a diploma in journalism and communication from the Renmin University of China (中國人民大學) in July 2009.

Mr. Zhang has not been a director of any publicly listed company during the three years preceding the date of this document.

Non-executive Directors

Mr. Jin Haitao (靳海濤), aged 59, was appointed a non-executive Director on June 14, 2013. He has been the chairman of Shenzhen Capital Group Co., Ltd (深圳創新投資集團有限公司) since 2004. He is currently a member of the Shenzhen CPPCC, co-president of the Special Committee on Venture Capital Investment of the Investment Association of China (中國投資協會創業投資專門委員會). Mr. Jin served as president of Shenzhen Venture Capital Association (深圳創業投資同業公會) in 2007, president of Shenzhen

Private Equity Association (深圳私募基金協會) in 2011, specialist in Shenzhen Science and Technology Committee (深圳科技專家委員會) in 2011.

Mr. Jin was recognized as "one of the top ten persons in Chinese Economy in 2009" by CCTV (2009 CCTV中國經濟十大年度人物), the winner of "Excellent Venture Capitalist" in 2011 (2011年優秀創業投資家) at the China Venture Capital Forum, the winner of "China Best Venture Capitalist Pioneer Award" (中國最佳創投人物先鋒獎) in 2011 by the Securities Times, and "China's Top Venture Capitalists" elected by Forbes in 2011. Mr. Jin obtained a master's degree of engineering from Huazhong University of Science and Technology (華中理工大學) (now Huazhong University of Science and Technology (華中科技大學)) in December 1996.

Mr. Jin has been a director of Shenzhen Terca Technology Co., Ltd (深圳市特爾佳科技股份有限公司) (Shenzhen Stock Exchange stock code: 002213) since December 2006, a director of JinkoSolar Holding Co., Ltd. (New York Stock Exchange stock code: JKS) since September 2008, a director and the vice chairman of Dongguan Kingsun Optoelectronics Co., Ltd (東莞勤上光電股份有限公司) (Shenzhen Stock Exchange stock code: 002638) since December 2010, and an independent non-executive director of CNC Holdings Limited (formerly known as Tsun Yip Holdings Limited) (Hong Kong Stock Exchange stock code: 08356) since June 2012.

Other than disclosed above, Mr. Jin has not been a director of any publicly listed company during the three years preceding the date of this document.

Mr. Wang Shihong (王世宏), aged 80, was appointed a non-executive Director on June 14, 2013. Mr. Wang has been the honorary chairman of Hwabao Trust Co., Ltd. (華寶信託公司) since July 2002 and the honorary president of China Trustee Association (中國信託業協會) since October 2005. Mr. Wang served as the general manager and director of Shanghai Bao Steel Group Finance Company Limited (上海寶鋼集團財務公司) from September 1992 to December 1998.

Mr. Wang has not been a director of any publicly listed company during the three years preceding the date of this document.

Mr. Xu Jiongwei (徐炯煒), aged 38, was appointed a non-executive Director on June 14, 2013. Prior to joining our Group, Mr. Xu held various positions in China Securities Co., Ltd (中信建投證券股份有限公司), including assistant to general manager from January 2007 to January 2009, investment banking controller and executive director of the investment banking division from February 2009 to January 2011 and subsequently managing director, responsible for the investment banking business since February 2011. Mr. Xu graduated from the Fudan University (復旦大學) with a bachelor's degree in accounting in July 1997.

Mr. Xu has not been a director of any publicly listed company during the three years preceding the date of this document.

Independent non-executive Directors

Mr. Wei Kevin Cheng (蔚成), aged 45, was appointed an independent non-executive Director on June 14, 2013. Mr. Wei has served as the chief financial officer and an executive director of IFM Investments Limited (stock code: CTC), a NYSE listed real estate services company, since December 2007 and November 2008, respectively and an independent non-executive director and chairman of the audit committee of Tibet 5100 Water Resources Holdings Ltd. (stock code: 1115), a HKEx-listed company, since March 2011. From July 2006 to October 2007, Mr. Wei served as the chief financial officer of Solarfun Power Holdings Co., Limited (i.e. Hanwha Solar One Co., Ltd. stock code: HOSL), a NASDAQ listed solar company. From 1999 to 2005, Mr. Wei worked in the internal audit and risk management functions with Asia Pacific regional or global coverage for multinational companies including LG Philips Displays International Ltd. headquartered in Hong Kong in 2003. From 1991 to 1999, Mr. Wei worked with KPMG

LLP and Deloitte Touche LLP in various audit and consulting roles between United States of America and China. Mr. Wei obtained his Bachelor's degree (cum laude) with a double major in accounting and business administration from Central Washington University in June 1991. He is also a member of American Institute of Certified Public Accountant.

Other than disclosed above, Mr. Wei has not been a director of any publicly listed company during the three years preceding the date of this document.

Mr. Ip Kwok On Sammy (葉國安), aged 50, was appointed an independent non-executive Director on June 14, 2013. Mr. Ip is the administrative director of Westpac LED Lighting, Inc and chief executive officer of Global Link Distribution, Inc. He is also the honored chairman of Hong Kong Small and Medium Enterprises Alliance Association, a member of the Chinese People's Political Consultative Conference of Guiping, Guangxi Province, PRC, a member of International Dark Sky Association and a member of Illuminating Engineering Society. Mr. Ip obtained his MBA from University of Wales, Newport in 2004.

Mr. Ip has not been a director of any publicly listed company during the three years preceding the date of this document.

Mr. Jin Guoqiang (金國強), aged 68, was appointed an independent non-executive Director on June 14, 2013. Mr. Jin has been an independent non-executive director of Beijing Wisdom Media since April 2011. Mr. Jin has been executive vice president and secretary general of the Television Branch of the China Advertising Association (中國廣告協會電視分會) since 2001. Before that, Mr. Jin served as deputy editor-in-chief of the Shaanxi Television Channel (陝西電視台) from 1992 to June 2001. Mr. Jin was appointed an advisor to the Cross Media Institute (泛媒體分賬研究院) in 2011. He has also been an executive officer of the Association of China Commercial Enterprise Management (中國商業企業管理協會市場營銷分會) and a member of its expert committee since December 2009. Mr. Jin was a member of the adjudication panel of the 2010 China Advertising Great-Wall Awards for Advertisers (2010年廣告主長城獎), and a member of the expert's commission of the 17th China International Advertising Festival (中國國際廣告節) in 2010.

Mr. Jin has not been a director of any publicly listed company during the three years preceding the date of this document.

SENIOR MANAGEMENT

Ms. Ren Guozun (任國尊), our chairlady, executive Director and president. For Ms. Ren's biography, please refer to the subsection headed "Directors" above.

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

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

Mr. Dominic Leung Oi Kin (梁愷健), aged 38, joined our Group in June 2012. He serves as our chief financial officer and is responsible for financial management of our Group. Mr. Leung is a professional accountant and a member of the CPA Australia. He has more than 15 years of experience in accounting and financial management. Before joining our Group, Mr. Leung worked in PricewaterhouseCoopers as an auditor. From December 2003 to May 2010, Mr. Leung was the financial controller of Jabil Circuit (Shanghai) Company Ltd., a wholly-owned subsidiary of Jabil Circuit, Inc. (NYSE listed stock code: JBL). From November 2010 to May 2012, Mr. Leung was the group financial controller of China NT Pharma Group Company Limited (stock code: 1011), a company listed on the Hong Kong Stock Exchange. Mr. Leung graduated from the University of Adelaide, South Australia in April 1997 with a bachelor's degree in commerce.

Mr. Leung has not been a director of any publicly listed company during the three years preceding the date of this document.

COMPANY SECRETARY

Mr. Dominic Leung Oi Kin has been appointed as our Company Secretary. Please refer to the paragraph headed "Senior Management" above for a biography of Mr. Leung.

DIRECTORS' REMUNERATION

Each of the executive Directors has entered into a service agreement with us commencing from June 14, 2013 for a maximum period of three years respectively which may be terminated by either party by serving on the other party a prior written notice of not less than a month expiring not earlier than the end of the first financial year after the [●]. Under the service agreements, the executive Directors are entitled to an aggregate annual basic salary of approximately RMB1,458,000 (or its equivalent in other currencies). Each of the executive Directors is also entitled to a discretionary bonus as determined by the Remuneration Committee by reference to the performance of our Group. Particulars of the terms of the above service contracts are set out in the paragraph headed "Particulars of service agreements" in Appendix IV to this document.

The aggregate amount of fees, salaries, bonuses, housing allowances, other allowances, benefits in kind and contributions to pension schemes paid to our Directors by us in respect of the three years ended December 31, 2012 were approximately RMB0.9 million, RMB1.2 million and RMB1.6 million, respectively.

In respect of the three years ended December 31, 2012, no remuneration was paid to our Directors as an inducement to join or upon joining our Group. No compensation was paid to, or receivable by, our Directors or past Directors for each of the three years for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments for each of the last three years.

Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Group to our Directors for the year ending December 31, 2013 will be approximately RMB1,710,084.

The five highest paid individuals of our Group included three Directors for the three years ended December 31, 2012 who have been included in the aggregate amount of fees, salaries, bonuses, housing allowances, other allowances, benefits in kind and contributions to pension schemes of our Directors above. Excluding such Directors, the aggregate amount of fees, salaries, bonuses, housing allowances, other allowances, benefits in kind and contributions to pension schemes to the remaining two individuals by our Group in respect of the three years ended December 31, 2012 were approximately RMB0.5 million, RMB0.7 million and RMB1.0 million respectively.

In respect of the three years ended December 31, 2012, no remuneration was paid to the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to or receivable by such individuals for each of the three years for the loss of any office in connection with the management of the affairs of any member of our Group.

Save as disclosed above, no other payments have been paid or are payable in respect of the three years ended December 31, 2012 to our Directors by our Group.

OUR CONTROLLING SHAREHOLDERS

Ms. Ren and Queen Media will control more than 30% of our issued share capital and hence, for the purpose of the [●], will continue to be our Controlling Shareholders. Each of Ms. Ren and Queen Media confirms that she/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business upon [●].

INDEPENDENCE OF OUR GROUP

In the opinion of our Directors, our Group is capable of carrying on our businesses independently of, and does not place undue reliance on, the Controlling Shareholders, their respective associates or any other parties, taking into account the following factors:

(i) Financial independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. The amounts due to or from our Controlling Shareholders will be fully settled before [●]. We have sufficient capital to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations.

(ii) Operational independence

We have established our own organizational structure, and each department is assigned to specific areas of responsibilities. Other than the transactions set out in the sections headed "Connected Transaction" and "History and Reorganization — Structured Contracts" in this document, no services or facilities are intended to be provided to our Group by our Controlling Shareholders and/or their associates. Our Group is able to operate independently from our Controlling Shareholders after the [●]. Our Group has also established a set of internal control policy to facilitate the effective operation of our business.

(iii) Management independence

Our Company maintains an independent Board to oversee our Group's business. Our Board is responsible for considering and approving the overall business plans and strategies of our Group, monitoring the implementation of these plans and strategies, and the general management of our Company. Our Group has an independent management team, which is led by a team of senior managers with substantial experience and expertise in our business, to implement our Group's policies and strategies.

Our Board consists of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. Ms. Ren, one of our Controlling Shareholders, is our chairlady and executive Director.

Each of our Directors is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest to exist. In the event that there is a potential conflict of interest arising from any transaction to be entered into between our Group and our Directors or their respective associates, such interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transactions and shall not be counted in the quorum.

COMPETING BUSINESS

The Controlling Shareholders and our Directors do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to [●].

DEED OF NON-COMPETITION

In order to avoid any potential competition between Ms. Ren and Queen Media, each of whom a Controlling Shareholder (each, a "Covenantor" and together, the "Covenantors") and our Group, the Covenantors executed a deed of non-competition (together, the "Deed") on June 24, 2013 in favor of us (for ourselves and for the benefit of each member of our Group). Pursuant to the Deed, during the period that the Deed remains effective, each of the Covenantors irrevocably and unconditionally undertakes with us (for ourselves and for the benefit of each member of our Group) that she/it shall not, and shall procure her/its associates or companies controlled by her/it (other than members of our Group) not to, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of our Group in the PRC or any other area in which our Group carries on business, save for the holding of not more than 5% shareholding interests (individually or with her/its associates) in any company listed on a recognized stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with her/its associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Covenantor (individually or with her/its associates).

When business opportunities which may compete with the business of our Group arise, the respective Covenantor(s) shall, and shall procure their respective associates to, give us notice in writing and we shall have a right of first refusal to take up such business opportunities. We shall, within a period of 30 days (which may be extended to 60 days if requested by all of our independent non-executive Directors, or such longer period if we are required to complete any approval procedures as set out under the [●] from time to time), inform the Covenantor(s) whether we will exercise the right of first refusal or not. We shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such proposed transactions). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

The Deed shall terminate on the earliest of (i) the date on which the Controlling Shareholders and their associates cease to be interested in 30% (or such other amount as may from time to time be specified in the [●] as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or (ii) the date on which our Shares cease to be [●].

In connection with the Deed, where the equity capital in the Company, Queen Media and/or Trust Co forms the whole or part of the trust asset of the SKY Trust (or any subsequent replacement trust arrangement) which is managed by any professional trust company, the Deed shall not be applicable to the following persons (notwithstanding their being deemed to be the associates of Trust Co under the [●] Rules):

(a) the corporate directors of Trust Co who are nominated by the said professional trust company who are represented by employees or officers of such professional trust company; and

(b) any holding company, subsidiaries or fellow subsidiaries of the professional trust company,

provided that any person falling under (a) or (b) above who is a beneficiary of the SKY Trust or any family members of Ms. Ren shall not be entitled to the above exclusion.

In addition, the Covenantors have undertaken to us:

(i) to provide all information necessary for the evaluation of the enforcement of the Deed as requested by our Company from time to time; and

(ii) to make an annual confirmation as to compliance with his/her/its undertaking under the Deed for inclusion in the annual report of our Company.

Each of the Covenantors undertakes to our Company that she/it would, during the term of the Deed, indemnify and keep indemnifying our Company and our Group against any loss suffered by our Company or any members of our Group (as relevant) arising out of any breach of any of her/its undertaking under the Deed.

CORPORATE GOVERNANCE

Our Board will consist of not less than one-third of independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgement in its decision-making process and provide independent advice to our Shareholders. We will ensure that our independent non-executive Directors are of sufficient caliber, knowledge and experience, have no connection or relationship with us or our connected persons and will carry weight in our decision-making process.

We have adopted the following corporate governance measures to manage any potential conflicts of interest arising from any future potential competing businesses and to safeguard the interests of our Shareholders:

- Our Controlling Shareholders will make an annual declaration on compliance with their undertakings under the Deed in the annual report of our Company;
- Our independent non-executive Directors will review, at least on an annual basis, the compliance of our Controlling Shareholders with the Deed; and
- We will make disclosures in our annual reports or by way of announcements regarding the review conducted by our independent non-executive Directors relating to such compliance with and enforcement of the Deed including, among others, any new business opportunity turned down by our Company under the Deed and basis thereon.

Based on the above, our Board is satisfied that there are sufficient and effective preventive measures to manage conflicts of interest and our Board is able to operate independently of our Controlling Shareholders.

During the Track Record Period, our Company has entered into a number of related party transactions, details of which are set out in Note 29 to the Accountant's Report set out in Appendix I to this document. Our Directors have confirmed that these related party transactions were conducted in the ordinary course of business and on normal commercial terms.

Upon the [●], the following transactions will constitute continuing connected transactions under the [●] for our Company.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following transactions have been carried out by our Group and the connected persons of our Company during the Track Record Period and are expected to continue after the [●]. The transactions will constitute continuing connected transactions which are not exempt from all reporting, announcement and/ or independent shareholders' approval requirements set out in [●] upon the [●]:

Structured Contracts

As disclosed in the paragraph headed "Structured Contracts" in the section headed "History and Restructuring" in this document, the business operation of Beijing Wisdom Media constitutes Restricted Business.

As the business operation of Beijing Wisdom Media constitutes Restricted Business, we cannot acquire equity interest in Beijing Wisdom Media. As a result, our Group has entered into a series of contracts designed to provide Wisdom Culture and thus our Group with effective control over Beijing Wisdom Media and, to the extent permitted by PRC law and regulations, grant the right to our Group to acquire the equity interests in Beijing Wisdom Media upon the document. The Structured Contracts were entered into on June 24, 2013 pursuant to which all material business activities of Beijing Wisdom Media are instructed and supervised by Wisdom Culture and all economic benefits and risks arising from the business of Beijing Wisdom Media are transferred to our Group.

The Structured Contracts currently in force comprise five agreements, namely: (i) the exclusive consulting and service agreement; (ii) the exclusive business operating agreement; (iii) the share pledge agreement; (iv) the exclusive option agreement and (v) the powers of attorney, which were entered into between/among Wisdom Culture, Beijing Wisdom Media and/or the existing shareholders of Beijing Wisdom Media, the detailed terms of which are set out in the paragraph headed "Structured Contracts" in the section headed "History and Restructuring" of this document. The PRC legal advisers of our Company have advised that the Structured Contracts are in compliance with and are enforceable under the existing PRC laws or regulation.

Implications under the [●]

The Structured Contracts were entered into between/among Wisdom Culture, Beijing Wisdom Media and/or the existing shareholders, including Ms. Ren, of Beijing Wisdom Media. As Ms. Ren is a substantial shareholder of our Company and an executive Director and therefore a connected person of our Company, the transactions contemplated under the Structured Contracts constitute continuing connected transactions under [●] upon the [●].

The view of our Directors

Our Directors (including the independent non-executive Directors) are of the view that the Structured Contracts and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations, and that the businesses of the Group subject to the Structured Contracts have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and the Shareholders as a whole. Our Directors also believe that our Group's structure whereby the financial results of Beijing Wisdom Media are consolidated into our Group's financial results commencing from June 24, 2013, and the flow of economic benefit of its business to our Group places our Group in a special position in relation to the connected transactions. Accordingly, notwithstanding that the transactions contemplated under the Structured Contracts technically constitute continuing connected transactions for the purposes of Chapter 14A of the [●], our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administration costs to our Company if the continuing connected transactions are subject to strict compliance with the requirements set out under [●], including, among other things, the requirements of publishing an announcement and obtaining approval of the independent Shareholders.

The Directors confirm that it is a normal business practice and in the best interest of the Company and its shareholders for the Structured Contracts to be of duration longer than three years,

- the independent non-executive Directors will review the Structured Contracts annually and confirm in the annual reports and accounts of our Group for the relevant year that: (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Structured Contracts so that the revenue generated by Beijing Wisdom Media has been mainly retained by our Group; (ii) no dividends or other distributions have been made by Beijing Wisdom Media to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group; and (iii) any new contracts entered into, renewed or reproduced between Beijing Wisdom Media and our Group during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Company is concerned and in the interests of the Shareholders as a whole;

- our Company's auditor will carry out review procedures annually on the transactions under the Structured Contracts, at least ten Business Days before the bulk-printing of the annual report of our Group, confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Structured Contracts and that no dividends or other distributions have been made by Beijing Wisdom Media to the holders of its equity interests which are not subsequently assigned or transferred to our Group;

- for the purposes of [●], Beijing Wisdom Media will be treated as our Company's wholly-owned subsidiary, and its directors, chief executives or substantial shareholders and their respective associates will be treated as connected persons of our Company, and transactions between these connected persons and our Group, other than those under the Structured Contracts, will be subject to requirements under [●]; and

- Beijing Wisdom Media will undertake that, to provide our Group's management and our Company's auditor full access to its relevant records for the purpose of our Company's auditor's review of the connected transactions.

OVERVIEW

We are a media investment management[(1)] services provider, TV programs producer and distributor and sports competitions organizer in China. Our business of media investment management and branding and identity services contributed 68.7% and 79.8% of our total gross profit and total revenue in 2012, respectively. We believe we distinguish ourselves from traditional advertising companies in China by providing not only conventional branding services, but also producing TV programs and organizing sports competitions. Our program production and sports competitions organization businesses enjoyed higher profit margins compared with our branding business during the Track Record Period. We believe that our continued emphasis on program production and sports competitions organization businesses will enable us to leverage on the higher growth potential that these businesses can offer. We believe that our emphasis on program production and sports competitions organization businesses also reflects the development trend in the marketing communications industry in China. Our main clients include automobile companies and other high-end brand owners, as well as the advertising agencies that represent them. According to a report prepared by Ipsos, an international market research firm, we ranked first among automobile-related TV program production companies in China in terms of production hours of automobile-related TV programs in 2012.

We offer our services through three business units, namely, Wisdom Branding, Wisdom Program and Wisdom Sports. Wisdom Branding offers media investment management and branding and identity services, in part by leveraging on our exclusive rights to advertising time slots for selected TV programs on nationally broadcast television channels of CCTV, China's largest television network. Wisdom Program focuses on the production of video programs that are broadcasted on television and through the Internet to personal computers and mobile devices. Wisdom Sports organizes, manages and promotes domestic and international sports competitions and other marketing events, particularly those that are automobile-related.

Our Wisdom Branding unit offers media investment management and branding and identity services. For media investment management business, we generate revenues from selling the TV advertising time slots and advertising space that we purchased from media operators to our clients and recognize as our revenues the amounts paid to us by our clients. Our existing exclusive rights to advertising time slots for five CCTV programs will be due for renewal at the end of 2013. Our branding and identity services offer (i) branding strategy consultancy services, and (ii) advertisement agency services to our clients. We receive revenues from our clients for our consultancy work and our design of promotional packages in our branding strategy consultancy services. We also derive revenues from advertisement agency services from the commissions paid by our clients, which typically represent the difference between the price we charge to our advertising clients and the price we pay for available advertising time slots. Our Wisdom Program unit mainly generates revenues from the sale of the advertising time slots as well as from the embedded advertisements sponsored by our clients. In addition, we also receive production fees from our clients for the video programs, TV commercials and corporate videos they commission us to produce; we currently do not intend to actively seek to be commissioned by clients to produce these client-commissioned video programs in 2013. Our Wisdom Sports unit generates revenues from the sponsorship fees from automobile-related and other brand owners, the sale of advertising space at competition and event venues, registration fees from contestants and ticket sales to spectators.

We have experienced significant growth since our commencement of business operation in 2006. Our revenues increased from RMB298.2 million in 2010 to RMB471.4 million in 2011, and further to RMB557.2 million in 2012, representing a CAGR of 36.7%. Our profit for the year increased from RMB57.4 million in 2010 to RMB85.5 million in 2011, and further to RMB132.0 million in 2012, representing a CAGR of 51.6%.

(1) A type of business in which the service provider purchases advertising resources from media operators and generates revenues from sales of relevant advertising resources to its clients. Such service provider typically acts as the principal rather than the agent in rendering media investment management services and bears the inventory risks of the advertising resources secured by it from the media operators.

BASIS OF PRESENTATION

Immediately prior to the Reorganization, as more fully explained in the section of this document headed "History and Reorganization — Reorganization," the business of the Group was carried out by Beijing Wisdom Media and its subsidiaries, which were under the control of the Controlling Shareholder. Pursuant to the Reorganization, the Structured Contracts enable Wisdom Culture, a wholly owned subsidiary of the Company, to exercise effective control over Beijing Wisdom Media and its subsidiaries and to obtain substantially all residual economic benefits of Beijing Wisdom Media and its subsidiaries. Accordingly, the business of our Group is under the effective control of the Company through the Structured Contracts arrangements. The Company has not been involved in any other business prior to the Reorganization and does not meet the definition of a business. The Reorganization is merely a reorganization of the business and does not result in any changes in the substance, management and Controlling Shareholder of the business before and after the Reorganization. Accordingly, the combined financial information of the companies now comprising the Group is presented using the carrying values of the business under Beijing Wisdom Media and its subsidiaries for all periods presented. For the purpose of the Accountant's Report set out in Appendix I to this document, the financial information of the Group has been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340, issued by Hong Kong Institute of Certified Public Accountants. With the completion of the Reorganization, Beijing Wisdom Media will effectively become an indirect subsidiary of the Company and the Group will then consolidate the financial results of Beijing Wisdom Media and its subsidiaries.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our financial condition and results of operations are principally affected by a number of factors, many of which may not be within our control, including those set forth below.

Overall demand for our services

Demand for our services and growth in our revenues are driven by overall advertising spending in China, which is significantly influenced by the pace of overall economic growth. Moreover, our main clients include automobile companies and other high-end brand owners, as well as the advertising agencies that represent them, which are more likely to be impacted by the fluctuation of the macroeconomy and the spending and confidence of consumers. During the Track Record Period, we benefited from the fast growth of consuming capacity of the affluent population in China and the increase in advertising budgets of domestic and international brand owners. However, if this trend does not continue given the slowdown of China's economy, our sales performance could be materially adversely impacted, as our clients may reduce their advertising budgets, and such reductions could be significant.

In addition, the demand for our services is affected by the level of television advertising spending in China, which is in turn affected by the popularity of TV programs in China and advertisers' perceptions regarding the effectiveness of television advertising. We generate a large portion of our revenues from the spending of our clients on television advertising, particularly through CCTV channels. Television advertising also competes with other advertising media, such as billboards, the Internet, mobile devices and outdoor advertising networks. If television advertising becomes a less favorable choice for advertisers in China, we may not be able to successfully attract enough advertisers for our advertising time slots and our revenue growth may be adversely affected.

Moreover, the demand for sports competitions has a direct impact on the number and size of the sports competitions we are able to organize. As we generated revenues from the sponsorship fees from automobile-related and other brand owners, the sale of advertising space at competition and event venues, registration fees from contestants and ticket sales to spectators, the demand for and occurrence of more sports competitions will therefore affect our results of operations.

Furthermore, our branding and identity services can promote cross-selling opportunities for our other businesses. Thus, the increased demand for our branding and identity services may affect our overall results of operations and increase our profitability.

Overall mix of our service offerings

We offer our services through three business units, namely, Wisdom Branding, Wisdom Program and Wisdom Sports. We continuously monitor our services mix and develop new services that we believe can increase our revenues. During the Track Record Period, we underwent a shift in the mix of our service offerings, as the proportion of revenues generated by Wisdom Branding increased from 79.6% in 2010 to 80.1% in 2011, and decreased to 79.8% in 2012. In general, our Wisdom Program and Wisdom Sports units have higher profit margins than our Wisdom Branding unit. For example, for the year ended December 31, 2012, the gross margin for our Wisdom Branding, Wisdom Program and Wisdom Sports units was 33.6%, 55.6%, 65.1%, respectively. With the development of our branding and identity services, we believe that the cost structure and liquidity position for our Wisdom Branding unit may be further improved as the cost of services for branding and identity services is comparatively lower than that of media investment management business. In addition, although the launch of new TV programs or new sports competitions will normally incur up-front costs, we believe that we may achieve efficiency as we produce these TV programs and organize these sports competitions over a period of time. Accompanied by our continued promotion of brand images of our TV programs and sports competitions, Wisdom Program and Wisdom Sports units also provide us with more sales and marketing opportunities to generate higher revenues. As part of our plan, the development of program production and sports competitions organization businesses will create more cross-selling opportunities and generate multiple revenue streams with new business opportunities. We will continue to adjust our services mix and enhance our service positioning in an effort to increase our revenues and gross profit. As we adjust our services mix, our gross profit will be affected both by any change in revenues attributable to, and any change in the gross profit margin of, each service category. In the near future, we expect to increase the proportions of services offered by our Wisdom Program and Wisdom Sports units so as to increase our revenue and profit growth, as well as our overall profit margin.

Our ability to provide our clients with high-quality marketing communications services

Our success to date, including the growth in our profit from RMB57.4 million in 2010 to RMB85.5 million in 2011, and further to RMB132.0 million in 2012, is largely attributable to our ability to provide a wide range of marketing communications services to automobile companies and other high-end brand owners, including organization of sports competitions and events, production of TV programs and provision of branding services. In order to maintain or increase this growth, we will need to continue to improve our services, expand the scope of our service offerings and continue to offer innovative solutions, such as producing more popular TV programs and organizing new categories of sports-related competitions in China. If we fail to meet our clients' requirements or fall behind our competitors in terms of the quality or level of integration of our services, our results of operations and financial condition may be adversely impacted.

Our ability to increase the size and diversity of our client base

Our clients mainly include automobile companies and other high-end brand owners and their advertising agencies. Our non-automobile-related clients include those in the wine and liquor, consumer electronics, high-end apparel and financial products industries. Our revenues (inclusive of sales-related taxes) generated from non-automobile-related brand owners accounted for approximately 32.9%, 40.6% and 60.3% of our revenues (inclusive of sales-related taxes) in 2010, 2011 and 2012, respectively.

We have been able to gain the trust and loyalty of, and maintain long-term relationships with, many of our automobile and other high-end brand owner clients due to our deep understanding of the PRC automobile industry and the needs and preferences of consumers of high-end products and services, our technical expertise in marketing communications, and our continuous innovation in program creation and media resources development. Our ability to retain our existing automobile and other high-end brand owner clients, as well as our ability to secure new clients, especially those in non-automobile-related industries, is critical to the continued growth of our business.

Our ability to obtain high quality advertising time slots on favorable terms

We depend on the high quality advertising time slots we secure from CCTV and other media resources for our branding services. The quality of advertising time slots is measured based on the perceived effectiveness of advertisements placed during such time slots, which is in turn affected by the ratings and the geographical and demographic coverage of the relevant TV program. Our results of operations will be affected by any changes with respect to the popularity, ratings or coverage of the TV programs during and around which our advertising time slots occur.

We acquired all or part of the advertising time slots for some of CCTV's programs, such as "World Express (國際時訊)", "News Weekly (新聞週刊)", "World Weekly (世界週刊)", "Treasure Hunt (尋寶)" and "Oriental Horizon (東方時空)", which contributed a significant portion of our revenues during the Track Record Period. We will be required to renew our current agreements in connection with the advertising time slots for these CCTV programs on an annual basis in the future. If we are unable to renew existing or enter into new exclusive agreements with respect to these advertising time slots, our results of operations would be materially affected. We will continue to explore and pursue opportunities to renew existing and enter into new exclusive agreements with CCTV and other media resources and our ability to secure desirable advertising media resources will affect our results of operations.

Our profitability also depends on the price of the advertising time slots charged to us by CCTV and other media resources. CCTV has been increasing the prices for many of its advertising time slots in recent years, and we expect that CCTV will continue to raise such prices in the future. Our profit margin may be affected if we are not able to obtain the rights to these advertising time slots on favorable terms. If any other advertising agency is able to obtain such high quality advertising time slots on terms more favorable than those offered to us, we may lose our clients and our revenues may decline.

Seasonality

Aside from fluctuations in the level of advertising spending resulting from changes in the overall economic and market conditions in China, our revenues are affected by seasonal fluctuations in consumer spending that also affect the level of advertising spending over time in China. In general, Chinese consumers tend to make more purchases of automobiles and other high-end consumer products in the second half of the year, rather than the first half of the year. The business volume during the first half of each year is generally lower than that during the second half for the Chinese advertising industry. Therefore, our revenues are normally higher in the second half of each year, due to the increased marketing and sales efforts of our clients during that period. As a result of this seasonality effect, our results of operations may fluctuate significantly from period to period.

CRITICAL ACCOUNTING POLICIES

We have identified below the accounting policies that we believe are the most critical to our combined financial statements. Our significant accounting policies are set forth in detail in Section II, note 2 to the Accountant's Report included as Appendix I to this document. These accounting policies require subjective or complex judgments by our management, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Certain accounting estimates are particularly sensitive because of their significance to our combined financial statements. The estimates and associated assumptions are based on our historical experience and various other factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about matters that may not otherwise be readily apparent. The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities are discussed in more detail in Section II, note 3 to the Accountant's Report included as Appendix I to this document. We review and, where necessary, revise our estimates and underlying assumptions on an ongoing basis.

Revenue Recognition

Revenues comprise the fair value of the consideration received or receivable for the performance of services in the ordinary course of our activities. We present revenues net of sales-related tax, refunds and discounts and after eliminating sales within our Group. Service fees prepaid by our customers where the relevant services have not been rendered are deferred and recognized as advance from customers in our combined balance sheet.

We recognize revenues when the amount of revenues can be reliably measured, it is probable that future economic benefits will flow to us and when specific criteria have been met for each of our activities as described below. We base our estimates on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

Branding Services

Our revenues from branding services are primarily derived from advertising service fees related to arranging broadcast of the customers' advertisement during selected media suppliers' TV programs. We contract separately with our customers and the media suppliers, and are responsible for the payments to the media suppliers and collections from the customers. Revenues from branding services are recognized ratably over the period in which the advertisements are broadcasted or displayed.

Starting from 2010, we purchased exclusive rights to advertising time slots to a number of TV programs broadcasted on CCTV. We pay a fixed media cost for these exclusive time slots, take on inventory risk and we believe we bear most of the risks and rewards under such arrangements. Accordingly, we recognized revenues from these arrangements on a gross basis. Cost for purchasing the advertising time slots from CCTV are recognized as our cost of services on a straight-line basis over the purchase commitment period.

We also help to arrange our customers' advertisements on other advertising time slots for which we do not have exclusive rights. We recognize revenues from these arrangements net of fees paid to the media suppliers because we believe that we act in the capacity of an agent rather than as the principal service provider.

In addition, we also perform advertising related services, including integrated designing, marketing and branding services, for customers. Revenues from these advertising related services are recognized when we have fully performed our obligations under the service agreements.

Program Production and Related Services

Revenues from program production and related services are primarily derived from directing, filming and producing video programs for television stations, including selling advertisements arising from the produced programs. We also earn revenues from producing video programs for specific customers on an ad-hoc basis. Revenues from program production and related services are recognized in the period in which video programs have been broadcasted or when the video program has been delivered to and accepted by our customer.

Event Organization and Management Services

Revenues from event organization and management services are mainly derived from the organizing and managing of domestic and international sports-related competitions and providing other related marketing services in conjunction with these events. Revenues from event organization and management services are recognized at the conclusion of the events, which is the point in time when all service has been provided.

Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, tax is also recognized in other comprehensive income or directly in equity, respectively.

Current Income Tax

The current income tax charge is calculated based on tax laws enacted or substantively enacted at the balance sheet date in the countries where we and our subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred Income Tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

PRINCIPAL INCOME STATEMENT COMPONENTS

The table below sets forth a summary of our results of operations for the periods indicated:

	Year ended December 31,					
	2010		2011		2012	
	RMB'000	%	RMB'000	%	RMB'000	%
Revenues	**298,169**	**100.0**	**471,391**	**100.0**	**557,213**	**100.0**
Cost of services	(201,709)	67.6	(326,212)	69.2	(340,250)	61.1
Gross profit	**96,460**	**32.4**	**145,179**	**30.8**	**216,963**	**38.9**
Selling and distribution costs	(8,968)	3.0	(15,869)	3.4	(19,221)	3.4
General and administrative expenses	(10,743)	3.6	(15,073)	3.2	(21,634)	3.9
Other gain, net	344	0.1	69	0.0	51	0.0
Operating profits	77,093	25.9	114,306	24.2	176,159	31.6
Finance income	168	0.0	363	0.1	1,675	0.3
Finance costs	(19)	0.0	(22)	0.0	(30)	0.0
Finance income, net	149	0.0	341	0.1	1,645	0.3
Profit before income tax	**77,242**	**25.9**	**114,647**	**24.3**	**177,804**	**31.9**
Income tax expenses	(19,837)	6.6	(29,116)	6.2	(45,828)	8.2
Profit for the year	**57,405**	**19.3**	**85,531**	**18.1**	**131,976**	**23.7**

Revenues

We generated revenues of RMB298.2 million, RMB471.4 million and RMB557.2 million for the years ended December 31, 2010, 2011 and 2012, respectively. We offer our services through three business units, namely, Wisdom Branding, Wisdom Program and Wisdom Sports. Our wide range of service offerings includes (i) media investment management and branding and identity services, (ii) program production, and (iii) organization, management and promotion of sports competitions and other marketing events.

The table below sets forth a breakdown of our revenues by business unit for the periods indicated:

	Year ended December 31,					
	2010		2011		2012	
	RMB'000	%	RMB'000	%	RMB'000	%
Wisdom Branding	237,315	79.6	377,723	80.1	444,442	79.8
Wisdom Program	27,449	9.2	56,647	12.0	58,323	10.4
Wisdom Sports	33,405	11.2	37,021	7.9	54,448	9.8
Total	**298,169**	**100.0**	**471,391**	**100.0**	**557,213**	**100.0**

We derive our revenues from the following sources:

Wisdom Branding. Wisdom Branding offers media investment management and branding and identity services, in part by leveraging on our exclusive rights to advertising time slots for selected TV programs on nationally broadcast television channels of CCTV, China's largest television network. For media investment management business, we generate revenues from selling the TV advertising time slots and advertising space that we purchased from media operators to our clients and recognize as our revenues the amounts paid to us by our clients. Our existing exclusive rights to advertising time slots for five CCTV programs will be due for renewal at the end of 2013. Our branding and identity services offer (i) branding strategy consultancy services, and (ii) advertisement agency services to our clients. We receive revenues from our clients for our consultancy work and our design of promotional packages in our branding strategy consultancy services. We also derive our revenues for advertisement agency services from the commissions paid by our clients, which typically represent the difference between the price we charge to our advertising clients and the price we pay for available advertising time slots.

The table below sets forth a breakdown of our revenues (inclusive of sales-related taxes) from Wisdom Branding for the periods indicated:

	Year ended December 31,					
	2010		2011		2012	
	RMB'000	%	RMB'000	%	RMB'000	%
Advertising fees for media investment management	230,768	95.0	374,790	97.1	444,110	97.2
— from advertising time slots at CCTV	220,665	90.8	363,385	94.1	443,053	97.0
— from advertising resources at other media operators	10,103	4.2	11,405	3.0	1,057	0.2
Consulting fees for branding strategy consultancy	12,000	4.9	11,221	2.9	12,428	2.7
Commissions for advertisement agency services	130	0.1	38	0.0	287	0.1
Total	**242,898**	**100.0**	**386,049**	**100.0**	**456,825**	**100.0**

Wisdom Program. Wisdom Program focuses on the production of video programs that are broadcasted on television and through the Internet to personal computers and mobile devices. We normally assume the upfront costs for the production of TV programs and exchange the completed TV programs for advertising time slots and various categories of embedded advertisements from media operators for free or at a price lower than market rates. Our Wisdom Program unit mainly generates revenues from the sale of the advertising time slots as well as from the embedded advertisements paid by our clients. In addition, we also receive production fees from our clients for the video programs, TV commercials and corporate videos they commission us to produce; we currently do not intend to actively seek to be commissioned by clients to produce these client-commissioned video programs in 2013.

The table below sets forth a breakdown of our revenues (inclusive of sales-related taxes) from Wisdom Program for the periods indicated:

	Year ended December 31,					
	2010		2011		2012	
	RMB'000	%	RMB'000	%	RMB'000	%
Programs of the Group	20,844	70.6	48,293	80.3	58,041	93.3
Client-commissioned video programs	8,660	29.4	11,860	19.7	4,145	6.7
Total	**29,504**	**100.0**	**60,153**	**100.0**	**62,186**	**100.0**

Wisdom Sports. Wisdom Sports organizes, manages and promotes domestic and international sports competitions and other marketing events, particularly those that are automobile-related. We regularly identify popular and influential sports competitions and cooperate with the related sports organizations to organize such competitions in China. Our Wisdom Sports unit generates revenues from the sponsorship fees from automobile-related and other brand owners, the sale of advertising space at competition and event venues, registration fees from contestants and ticket sales to spectators.

The table below sets forth a breakdown of our revenues (inclusive of sales-related taxes) from Wisdom Sports for the periods indicated:

	Year ended December 31,					
	2010		2011		2012	
	RMB'000	%	RMB'000	%	RMB'000	%
Sponsorship and advertising fees	35,905	100.0	39,347	100.0	56,995	98.8
Registration fees from contestants	—	—	—	—	685	1.2
Ticket sales directly to spectators	—	—	—	—	28	0.0
Total	**35,905**	**100.0**	**39,347**	**100.0**	**57,708**	**100.0**

Cost of Services

Our cost of services amounted to RMB201.7 million, RMB326.2 million and RMB340.3 million for the years ended December 31, 2010, 2011 and 2012, respectively. We account for our cost of services separately for our three business units. The table below sets forth a breakdown of our cost of services for the periods indicated:

	Year ended December 31,					
	2010		2011		2012	
	RMB'000	%	RMB'000	%	RMB'000	%
Wisdom Branding	178,415	88.5	289,125	88.6	295,326	86.8
Wisdom Program	15,970	7.9	34,243	10.5	25,918	7.6
Wisdom Sports	7,324	3.6	2,844	0.9	19,006	5.6
Total	**201,709**	**100.0**	**326,212**	**100.0**	**340,250**	**100.0**

Wisdom Branding. For our media investment management business, our cost of services primarily consists of the media costs we pay to secure the advertising time slots and other advertising rights under our exclusive agreements. The cost of services for our branding strategy consultancy services primarily consists of the costs of salaries and benefits for our branding strategy consultancy professionals and the costs in connection with the promotional activities for our clients. For our advertisement agency services, we receive commissions from our clients, which typically represent the difference between the price we charge to our advertising clients and the price we pay for available advertising time slots, and all the costs are borne by our clients.

The table below sets forth a breakdown of our cost of services from Wisdom Branding by nature for the periods indicated:

	Year ended December 31,					
	2010		2011		2012	
	RMB'000	%	RMB'000	%	RMB'000	%
Advertising time slots on TV	171,713	96.2	274,097	94.8	287,117	97.2
Others[(1)]	6,702	3.8	15,028	5.2	8,209	2.8
Total	**178,415**	**100.0**	**289,125**	**100.0**	**295,326**	**100.0**

Note:

(1) Represent media costs (other than those for advertising time slots on TV), salaries and overhead cost allocation.

Wisdom Program. The cost of services for program production primarily consists of the production costs for the TV programs we design and the media costs for the relevant advertising resources.

The table below sets forth a breakdown of our cost of services from Wisdom Program by nature for the periods indicated:

	Year ended December 31,					
	2010		2011		2012	
	RMB'000	%	RMB'000	%	RMB'000	%
Production costs(1)	10,167	63.7	23,605	68.9	13,247	51.2
Media costs	4,750	29.7	7,428	21.7	8,306	32.0
Salaries	736	4.6	2,512	7.4	3,586	13.8
Depreciation	317	2.0	698	2.0	779	3.0
Total	**15,970**	**100.0**	**34,243**	**100.0**	**25,918**	**100.0**

Note:

(1) Represent costs directly related to production, including, but not limited to, studio fees, equipment and costume rental, stage setup and overhead cost allocation.

Wisdom Sports. The cost of services for the organization, management and promotion of sports-related competition and other marketing events primarily consists of the license fees charged by the sports organizations, the cost of materials and equipment and the on-site management fees, as well as the media costs relating to the TV broadcast of some sports-related competitions and events.

The table below sets forth a breakdown of our cost of services from Wisdom Sports by nature for the periods indicated:

	Year ended December 31,					
	2010		2011		2012	
	RMB'000	%	RMB'000	%	RMB'000	%
Operation costs(1)	7,114	97.1	2,488	87.5	15,859	83.4
License and operating rights fees	—	—	130	4.6	2,062	10.8
Salaries	147	2.0	177	6.2	891	4.7
Depreciation	63	0.9	49	1.7	194	1.1
Total	**7,324**	**100.0**	**2,844**	**100.0**	**19,006**	**100.0**

Note:

(1) Represent operation costs directly related to sports events, including, but not limited to, venue rental and setup costs, organization and security vendor costs, media broadcasting fees and overhead cost allocation.

Gross Profit and Gross Margin

Gross profit represents revenues less cost of services. Gross margin represents gross profit divided by revenues. Our gross profit was RMB96.5 million, RMB145.2 million and RMB217.0 million for the years ended December 31, 2010, 2011 and 2012, respectively. Our gross margin was 32.4%, 30.8% and 38.9% for the years ended December 31, 2010, 2011 and 2012. The table below sets forth our gross profit and gross margin of each business unit for the periods indicated:

	Year ended December 31,								
	2010			2011			2012		
	RMB'000	% of total gross profit	gross margin %	RMB'000	% of total gross profit	gross margin %	RMB'000	% of total gross profit	gross margin %
Wisdom Branding	58,900	61.1	24.8	88,598	61.0	23.5	149,116	68.7	33.6
Wisdom Program	11,479	11.9	41.8	22,404	15.4	39.6	32,405	14.9	55.6
Wisdom Sports	26,081	27.0	78.1	34,177	23.6	92.3	35,442	16.4	65.1
Total	**96,460**	**100.0**	**32.4**	**145,179**	**100.0**	**30.8**	**216,963**	**100.0**	**38.9**

The differences in gross margin for our three business units were largely attributable to their respective business model and cost structure.

The significant portion of revenues in Wisdom Branding was contributed by our media investment management business during the Track Record Period. The cost of our media investment management business primarily consists of media costs for advertising time slots at CCTV. We generally do not have the ability to control the amount of such costs and expect that such media costs would continue to increase in the future. At the same time, the listed prices of such advertising time slots are publicly available and we offer discounts to our clients based on the listed prices. As we only sell relevant advertising time slots without any involvement in the production of associated TV programs in our media investment management business, there is not much room for us to increase the commercial value of such advertising time slots and generate a higher gross margin. The advertising fees we may actually charge our clients are consistent with the level generally accepted in the industry and by our clients. Given the large size of media costs for such advertising time slots and the prices we may charge our clients, our gross margin for Wisdom Branding remained at a relatively lower level compared to that of Wisdom Program or Wisdom Sports during the Track Record Period.

The level of revenues in Wisdom Program and Wisdom Sports is largely associated with our creative design and marketing capabilities for program production and sports competitions organization. We may set the prices based on the quality and popularity of our programs and sports competitions, which generally allow us to have more latitude in business negotiations with our clients. As we are the producer in Wisdom Program and organizer in Wisdom Sports, we are in a better position to coordinate the commercialization and marketing efforts in the process of program production and sports competitions organization. As long as we exploit more commercial resources in our programs and sports competitions, we would be able to generate higher revenues in these two business units without incurring much additional costs and then achieve a higher gross margin. In Wisdom Program and Wisdom Sports, a significant portion of cost of services is attributable to various types of implementation work in connection with production of programs or organization of sports competitions. Although we normally incur higher amount of upfront costs during the launch of new programs or sports competitions, we are able to achieve efficiency after improving implementation skills over a period of time, which would improve our gross margin. As we have more control over both prices and costs, we achieved relatively higher gross margin in these two business units compared to that of Wisdom Branding during the Track Record Period given the proportion of the amount of revenues generated and the amount of costs incurred. In addition, it often takes a period of time to more fully exploit the commercial potentials of a new program or a new sports competition. With the improvement in quality and increased market recognition, we believe that the gross margin for newly launched programs and sports competitions would normally increase in the coming years.

Selling and Distribution Costs

Our selling and distribution costs primarily consist of salaries and benefits for our sales and distribution personnel, rental and depreciation of equipment directly related to our sales and distribution activities, and traveling expenses incurred by our sales personnel. For the years ended December 31, 2010, 2011 and 2012, our selling and distribution costs represented 3.0%, 3.4% and 3.4% of our revenues, respectively.

The table below sets forth the breakdown information for our selling and distribution costs for the periods indicated:

	Year ended December 31,					
	2010		2011		2012	
	RMB'000	%	RMB'000	%	RMB'000	%
Salaries and benefits	2,589	28.9	5,276	33.2	6,652	34.6
General office expenses	3,188	35.5	5,355	33.7	6,721	35.0
Travelling and entertainment expenses	1,784	19.9	3,225	20.3	3,207	16.7
Depreciation and amortization	1,157	12.9	1,569	10.0	1,440	7.5
Operating lease rentals	250	2.8	444	2.8	1,201	6.2
Total	**8,968**	**100.0**	**15,869**	**100.0**	**19,221**	**100.0**

General and Administrative Expenses

Our general and administrative expenses primarily consist of salaries and benefits for our management, accounting and administrative personnel, office rental and maintenance expenses directly related to our general office administration activities, depreciation of equipment and professional fees in connection with the services rendered by lawyers, valuers, internal control experts and tax specialists. For the years ended December 31, 2010, 2011 and 2012, our general and administrative expenses represented 3.6%, 3.2% and 3.9% of our revenues, respectively.

The table below sets forth the breakdown information for our general and administrative expenses for the periods indicated:

	Year ended December 31,					
	2010		2011		2012	
	RMB'000	%	RMB'000	%	RMB'000	%
Salaries and benefits	2,687	25.0	4,695	31.1	6,710	31.0
Professional fees and auditor's remuneration	2,213	20.6	1,358	9.0	4,854	22.4
General office expenses	1,803	16.8	3,000	20.0	3,869	17.9
Travelling and entertainment expenses	2,598	24.2	3,544	23.5	3,822	17.7
Operating lease rentals	515	4.8	1,454	9.6	1,326	6.1
Depreciation and amortization	927	8.6	1,022	6.8	1,053	4.9
Total	**10,743**	**100.0**	**15,073**	**100.0**	**21,634**	**100.0**

Other Gain, Net

Our other gain primarily consists of government grants. The government of Qingpu district in Shanghai provides grants to small and medium-sized enterprises which are registered in that district engaging in the industries of advanced manufacturing, modern service and certain other industries. As the business of Shanghai Zhizhen falls into the category of offering modern services, Shanghai Zhizhen is qualified to enjoy such government grants and entitled to the refund of certain portion of taxes previously paid. From 2008 to January 2010, such government grants were in the amount of 20% of business taxes paid by us. From February 2010 to present, such government grants were in the amount of 29.25% of business taxes and 5% of income taxes paid by us. According to the currently effective requirements of the local government, we expect to continue to be qualified for such government grants. Our other gain, net of other loss, was RMB0.3 million, RMB0.07 million and RMB0.05 million for the years ended December 31, 2010, 2011 and 2012, respectively.

Finance Income, Net

Our finance income primarily consists of interest income on short-term bank deposits, while our finance costs primarily consist of bank charges. For the years ended December 31, 2010, 2011 and 2012, our net finance income represented 0.0%, 0.1% and 0.3% of our revenues, respectively.

TAXATION

Cayman Islands

We are incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, we are not subject to income or capital gain tax. In addition, payment of dividends by us to our shareholders is not subject to withholding tax in the Cayman Islands.

British Virgin Islands

Pursuant to the International Business Companies Act of the British Virgin Islands, international business companies incorporated enjoy a complete exemption from income tax. This includes an exemption from capital gains tax and all forms of withholding tax. Our subsidiary incorporated in the British Virgin Islands is not subject to tax.

Hong Kong

Our wholly-owned subsidiary in Hong Kong is subject to Hong Kong profits tax at the rate of 16.5%. No provision for profits tax has been made for the Track Record Period as we did not generate any assessable profits arising in Hong Kong during the Track Record Period.

PRC

Effective as of January 1, 2008, the EIT Law applies a uniform enterprise income tax rate of 25% to all domestic enterprises and foreign-invested enterprises and defines new tax incentives for qualifying entities. Pursuant to the EIT Law, each of our operating subsidiaries and consolidated affiliated entities in the PRC is subject to a unified enterprise income tax rate of 25% during the Track Record Period, respectively, except that our consolidated affiliated entity in Shanghai was entitled to pay the income tax at a deemed percentage of revenues in 2009 as approved by the relevant tax authority.

In addition, the EIT Law treats an enterprise established outside of China that has its "de facto management body" located in China as a PRC resident enterprise for tax purposes. The term "de facto management body" is generally defined as exercising substantial and overall management and control over such aspects as the production, personnel, accounts and properties of an enterprise. We do not believe that we should be treated as a "resident enterprise" for PRC tax purposes. However, if considered a PRC "resident enterprise" for tax purposes, we would be subject to the PRC enterprise income tax at a rate of 25% on our worldwide income. We will continue to monitor our tax status.

Pursuant to the EIT Law and the Implementation Regulations, dividends payable by a PRC resident enterprise to a non-resident enterprise such as its corporate foreign investors are subject to a 10% PRC withholding tax, unless any tax treaty or similar arrangement between the PRC and foreign investors' jurisdiction of incorporation provides otherwise.

For advertising business, our subsidiaries and consolidated affiliated entities in the PRC are subject to business tax and related surcharges by various local tax authorities at a rate of approximately 8.5% on our gross revenues net of our media costs. For all of our other business, business tax and related surcharges applied were approximately 5.5% on our gross revenues. In July 2012, the Ministry of Finance and the State

Administration of Taxation jointly issued a circular regarding the pilot collection of value-added tax in lieu of business tax in certain areas and industries in the PRC. Such value-added tax pilot program was phased in Beijing, Jiangsu, Anhui, Fujian, Guangdong, Tianjin, Zhejiang, and Hubei between September and December 2012. Starting from September 1, 2012, certain of our subsidiaries and consolidated affiliated entities in the PRC became subject to value-added tax at the rates of 3% to 6%, on certain service revenues which were previously subject to business tax.

RESULTS OF OPERATIONS

Year ended December 31, 2012 compared with year ended December 31, 2011

Revenues

Our revenues increased by 18.2% to RMB557.2 million in the year ended December 31, 2012 from RMB471.4 million in the year ended December 31, 2011. This increase was primarily due to increases in revenues from Wisdom Sports and Wisdom Branding and, to a lesser extent, an increase in revenues from Wisdom Program.

Revenues from Wisdom Branding increased by 17.7% to RMB444.4 million in the year ended December 31, 2012 from RMB377.7 million in the year ended December 31, 2011. This increase was primarily due to the increase in revenues generated from the advertising time slots for "World Express (國際時訊)" and "Oriental Horizon (東方時空)". This increase was partially offset by the decrease in revenues from the advertising time slots for "News Weekly (新聞週刊)", "World Weekly (世界週刊)" and "Treasure Hunt (尋寶)", as we only acquired 50% of the advertising time slots for this program in 2012.

Revenues from Wisdom Program increased by 3.0% to RMB58.3 million in the year ended December 31, 2012 from RMB56.6 million in the year ended December 31, 2011. This increase was primarily attributable to (i) an increase in revenues from our TV program "Lucky Go (週末駕到 /天天駕到)", which was launched in November 2012, and (ii) an increase in revenues from our TV program "Driving Fashion (駕尚)", which was launched in August 2011. This increase was partially offset by a decrease in revenues from client-commissioned video programs. After a strategic review of our operational model in Wisdom Program in 2012, we decided to focus on the production of TV programs which could generate revenues through the sales of relevant advertising resources. In addition, we re-allocated our attention and resources to produce new TV programs which would better cater for the needs of TV audience. Therefore, we produced less client-commissioned video programs which could only generate a fixed amount of pre-determined production fees payable by our clients.

Revenues from Wisdom Sports increased by 47.1% to RMB54.4 million in the year ended December 31, 2012 from RMB37.0 million in the year ended December 31, 2011. This increase was primarily due to revenues from "FIM Freestyle Motocross World Championship (國際摩聯花式極限摩托世界錦標賽)", "China Classic Car Rally (老式汽車中國拉力賽)" and "Guangzhou Marathon (廣州馬拉松)", which were held for the first time in September 2012, September 2012 and November 2012, respectively.

Cost of Services

Our cost of services increased by 4.3% to RMB340.3 million in the year ended December 31, 2012 from RMB326.2 million in the year ended December 31, 2011. This increase was primarily due to the increase in the cost of services for Wisdom Sports, partially offset by a decrease in the cost of services for Wisdom Program.

Cost of services for Wisdom Branding increased by 2.1% to RMB295.3 million in the year ended December 31, 2012 from RMB289.1 million in the year ended December 31, 2011. This increase was primarily due to the increase in cost of services in connection with acquiring the advertising time slots for

"World Express (國際時訊)" and "Oriental Horizon (東方時空)", partially offset by the decrease in cost of services in connection with acquiring the advertising time slots for "News Weekly (新聞週刊)", "World Weekly (世界週刊)" and "Treasure Hunt (尋寶)", as we only acquired 50% of the advertising time slots for these three programs in 2012. As we continued to purchase advertising time slots for two daily programs from CCTV in 2012, namely "World Express (國際時訊)" and "Oriental Horizon (東方時空)", and only cooperated with Beijing Qili with respect to the advertising time slots for three weekly programs, namely "News Weekly (新聞週刊)", "World Weekly (世界週刊)" and "Treasure Hunt (尋寶)", the advertising time slots purchased from CCTV in 2012 did not decrease by half compared to 2011. For the details of advertising time slots we purchased in 2012, see "Business — Our Marketing Communications Services — Wisdom Branding — Media investment management services."

Cost of services for Wisdom Program decreased by 24.3% to RMB25.9 million in the year ended December 31, 2012 from RMB34.2 million in the year ended December 31, 2011. This decrease was primarily due to the decrease in cost of services for our client-commissioned video programs as we produced less of such programs in 2012; partially offset by the increase in cost of services for our TV program "Lucky Go (週末駕到/天天駕到)", which was launched in November 2012.

Cost of services for Wisdom Sports increased significantly to RMB19.0 million in the year ended December 31, 2012 from RMB2.8 million in the year ended December 31, 2011. This increase was primarily due to the increase in cost of services in connection with "FIM Freestyle Motocross World Championship (國際摩聯花式極限摩托世界錦標賽)", "China Classic Car Rally (老式汽車中國拉力賽)" and "Guangzhou Marathon (廣州馬拉松)", which were held for the first time in September 2012, September 2012 and November 2012, respectively.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 49.4% to RMB217.0 million in the year ended December 31, 2012 from RMB145.2 million in the year ended December 31, 2011. Our overall gross margin increased to 38.9% in the year ended December 31, 2012 from 30.8% in the year ended December 31, 2011. This increase was primarily attributable to (i) the increase in gross margin of Wisdom Branding, as well as the higher contribution from Wisdom Branding, and (ii) the increase in gross margin of Wisdom Program. This increase was partially offset by the decrease in gross margin of Wisdom Sports.

As a result of the foregoing changes in revenues and cost of services for Wisdom Branding, our gross profit for Wisdom Branding increased by 68.3% from RMB88.6 million in the year ended December 31, 2011 to RMB149.1 million in the year ended December 31, 2012. The gross margin for Wisdom Branding increased to 33.6% in the year ended December 31, 2012 from 23.5% in the year ended December 31, 2011. This increase was primarily due to (i) the fact that the percentage of increase in the average selling price of advertising time slots was higher than the percentage of increase in the media costs of advertising time slots for "Oriental Horizon (東方時空)" and "World Express (國際時訊)" as a result of our continued marketing efforts, (ii) the increase in the amount of advertising time slots sold for "Oriental Horizon (東方時空)" and "World Express (國際時訊)", given that we were committed to pay a fixed minimum amount of media costs, and (iii) the decrease in the amount of advertising time slots purchased for "News Weekly (新聞週刊)", "World Weekly (世界週刊)" and "Treasure Hunt (尋寶)" as a result of our arrangement with Beijing Qili in 2012, which helped us to more easily increased the percentage of the amount of advertising time slots sold out of that of advertising time slots purchased for these TV programs and therefore reduced the costs we need to bear for those unsold advertising time slots.

As a result of the foregoing changes in revenues and cost of services for Wisdom Program, our gross profit for Wisdom Program increased by 44.6% from RMB22.4 million in the year ended December 31, 2011 to RMB32.4 million in the year ended December 31, 2012. The gross margin for Wisdom Program increased to 55.6% in the year ended December 31, 2012 from 39.6% in the year ended December 31, 2011. This increase was primarily due to (i) the decrease in cost of services in connection with our TV programs "Auto Fashion (車風尚)" and "Driving Fashion (駕尚)", which were launched in March 2011 and August

2011, respectively, and achieved efficiency in 2012; and (ii) the relatively high gross margin of our TV program "Lucky Go (週末駕到 / 天天駕到)", which was launched in November 2012, compared to the gross margin of other TV programs produced by us. "Lucky Go (週末駕到 / 天天駕到)" is a TV variety show which allows the general public to register for the participation from various channels and offers an opportunity to the participants to win a grand price. Due to the nature and design of this program, it gained popularity among the audiences and became a platform for our clients to place more advertisements. Therefore, we saved certain costs for marketing and promotion of this newly launched program and achieved a relatively high gross margin.

As a result of the foregoing changes in revenues and cost of services for Wisdom Sports, our gross profit for Wisdom Sports increased by 3.7% from RMB34.2 million in the year ended December 31, 2011 to RMB35.4 million in the year ended December 31, 2012. The gross margin for Wisdom Sports decreased to 65.1% in the year ended December 31, 2012 from 92.3% in the year ended December 31, 2011. This decrease was primarily attributable to the increase in cost of services in connection with "FIM Freestyle Motocross World Championship (國際摩聯花式極限摩托世界錦標賽)", "China Classic Car Rally (老式汽車中國拉力賽)" and "Guangzhou Marathon (廣州馬拉松)", which were held for the first time in September 2012, September 2012 and November 2012, respectively. As we held these three sports competitions for the first time in 2012, we incurred a larger amount of upfront costs, such as those in connection with marketing and promotion, which would not be expected to incur on the same scale in the future. In addition, as these sports competitions were either introduced to China or organized in Guangzhou for the first time, we believe that their commercial values were not fully exploited in 2012 due to our clients' unfamiliarity with them. Another reason for the decrease in the gross margin for Wisdom Sports was the impact caused by the "China Automobile Summit Forum for the 10th Anniversary of China's WTO Accession (WTO 入世十周年中國汽車高峰論壇)." This was a one-off marketing event organized at the 10th anniversary of China' accession to WTO in 2011 and discontinued in 2012. Due to the comparatively smaller scale of our Wisdom Sports unit in 2011, the high gross margin for this marketing event greatly increased the overall gross margin of Wisdom Sports unit as a whole at that time. Therefore, the discontinuation of such marketing event in 2012 also led to the decrease of gross margin for Wisdom Sports.

Selling and Distribution Costs

Our selling and distribution costs increased by 21.1% to RMB19.2 million in the year ended December 31, 2012 from RMB15.9 million in the year ended December 31, 2011. This increase was primarily attributable to the increase in the number of our sales personnel and their salaries and benefits, which was generally in line with our continued efforts in strengthening marketing and sales capabilities as a result of the expansion of our business in 2012, particularly the launch of new TV programs and sports competitions.

General and Administrative Expenses

Our general and administrative expenses increased by 43.5% to RMB21.6 million in the year ended December 31, 2012 from RMB15.0 million in the year ended December 31, 2011. This increase was primarily attributable to the increase in professional fees in connection with the services rendered by lawyers, valuers, internal control experts and tax specialists.

Other Gain, Net

Our other gain, net of other loss, decreased by 26.1% to RMB0.05 million in the year ended December 31, 2012 from RMB0.07 million in the year ended December 31, 2011. This decrease was mainly attributable to the decrease in government grants received by our Shanghai entity, Shanghai Zhizhen, due to the decrease in taxes paid.

Finance Income, Net

Our net finance income increased significantly to RMB1.6 million for the year ended December 31, 2012 from RMB0.3 million for the year ended December 31, 2011. This increase was primarily due to an increase in interest income on short-term bank deposits.

Profit before Income Tax

As a result of the foregoing, our profit before income tax increased by 55.1% to RMB177.8 million in the year ended December 31, 2012 from RMB114.6 million in the year ended December 31, 2011.

Income Tax Expenses

Our income tax expenses increased by 57.4% to RMB45.8 million in the year ended December 31, 2012 from RMB29.1 million in the year ended December 31, 2011. This increase was primarily attributable to the increase in our taxable income. Our effective tax rate in the year ended December 31, 2012 was approximately 25.8%, compared to 25.4% in the year ended December 31, 2011.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 54.3% to RMB132.0 million in the year ended December 31, 2012 from RMB85.5 million in the year ended December 31, 2011. Our net profit margin increased from 18.1% for the year ended December 31, 2011 to 23.7% for the year ended December 31, 2012.

Year ended December 31, 2011 compared with year ended December 31, 2010

Revenues

Our revenues increased by 58.1% to RMB471.4 million in the year ended December 31, 2011 from RMB298.2 million in the year ended December 31, 2010. This increase was primarily due to an increase in the revenues from Wisdom Branding and, to a lesser extent, the increase in the revenues from Wisdom Program and Wisdom Sports.

Revenues from Wisdom Branding increased by 59.2% to RMB377.7 million in the year ended December 31, 2011 from RMB237.3 million in the year ended December 31, 2010. This increase was primarily due to the fact that we only generated revenues from the advertising time slots in connection with the TV program "Oriental Horizon (東方時空)" for two months in 2010 and "Treasure Hunt (尋寶)" for nine months in 2010 as we secured the exclusive rights to these programs in November 2010 and April 2010 respectively, and we generated revenues from both programs for the full year in 2011.

Revenues from Wisdom Program increased by 106.4% to RMB56.6 million in the year ended December 31, 2011 from RMB27.4 million in the year ended December 31, 2010. This increase was primarily attributable to the launch of the TV program "Auto Fashion (車風尚)" in March 2011 on CCTV-Finance and, to a lesser extent, the launch of the TV program "Driving Fashion (駕尚)" in August 2011.

Revenues from Wisdom Sports increased by 10.8% to RMB37.0 million in the year ended December 31, 2011 from RMB33.4 million in the year ended December 31, 2010. This increase was primarily due to the marketing of the "China Automobile Summit Forum for the 10th Anniversary of China's WTO Accession (WTO入世十周年中國汽車高峰論壇)" we organized during the Guangzhou International Automobile Exhibition in 2011.

Cost of Services

Our cost of services increased by 61.7% to RMB326.2 million in the year ended December 31, 2011 from RMB201.7 million in the year ended December 31, 2010. This increase was primarily due to an increase in the cost of services from Wisdom Branding and, to a lesser extent, the increase in the cost of services from Wisdom Program.

Cost of services for Wisdom Branding increased by 62.1% to RMB289.1 million in the year ended December 31, 2011 from RMB178.4 million in the year ended December 31, 2010. This increase was primarily due to the fact that we only incurred costs in connection with the TV program "Oriental Horizon (東方時空)" for two months in 2010 and "Treasure Hunt (尋寶)" for nine months in 2010 as we secured the exclusive rights to these programs in November 2010 and April 2010, respectively, and we incurred costs in connection with them for the full year in 2011.

Cost of services for Wisdom Program increased by 114.4% to RMB34.2 million in the year ended December 31, 2011 from RMB16.0 million in the year ended December 31, 2010. This increase was primarily due to the launch of the TV program "Auto Fashion (車風尚)" in March 2011 on CCTV-Finance and the launch of the TV program "Driving Fashion (駕尚)" in August 2011 on local TV stations.

Cost of services for Wisdom Sports decreased by 61.2% to RMB2.8 million in the year ended December 31, 2011 from RMB7.3 million in the year ended December 31, 2010. This decrease was primarily because the "China Automobile Summit Forum for the 10th Anniversary of China's WTO Accession (WTO入世十周年中國汽車高峰論壇)" we organized during the Guangzhou International Automobile Exhibition in 2011 incurred less cost compared with other events we organized.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 50.5% to RMB145.2 million in the year ended December 31, 2011 from RMB96.5 million in the year ended December 31, 2010. Our overall gross margin decreased to 30.8% in the year ended December 31, 2011 from 32.4% in the year ended December 31, 2010. This decrease was primarily attributable to (i) the higher contribution from Wisdom Branding which has a relatively lower gross margin, and (ii) the decrease in the gross margin of Wisdom Program as a result of the additional costs incurred in connection with the launch of new TV programs in 2011, including "Auto Fashion (車風尚)" and "Driving Fashion (駕尚)".

As a result of the foregoing changes in revenues and cost of services for Wisdom Branding, our gross profit for Wisdom Branding increased by 50.4% from RMB58.9 million in the year ended December 31, 2010 to RMB88.6 million in the year ended December 31, 2011. The gross margin for Wisdom Branding was 24.8% and 23.5% in the years ended December 31, 2010 and 2011, respectively.

As a result of the foregoing changes in revenues and cost of services for Wisdom Program, our gross profit for Wisdom Program increased by 95.2% from RMB11.5 million in the year ended December 31, 2010 to RMB22.4 million in the year ended December 31, 2011. The gross margin for Wisdom Program decreased to 39.6% in the year ended December 31, 2011 from 41.8% in the year ended December 31, 2010. This decrease was primarily due to the fact that additional costs incurred in connection with the launch of new TV programs in 2011, including "Auto Fashion (車風尚)" and "Driving Fashion (駕尚)".

As a result of the foregoing changes in revenues and cost of services for Wisdom Sports, our gross profit for Wisdom Sports increased by 31.0% from RMB26.1 million in the year ended December 31, 2010 to RMB34.2 million in the year ended December 31, 2011. The gross margin for Wisdom Sports increased to 92.3% in the year ended December 31, 2011 from 78.1% in the year ended December 31, 2010. This increase was primarily attributable to the fact that the "China Automobile Summit Forum for the 10th Anniversary of China's WTO Accession (WTO入世十周年中國汽車高峰論壇)" which we organized during the Guangzhou International Automobile Exhibition in 2011 had a higher gross margin compared with other events we organized. We believe that our good sales performance in the marketing of "China Automobile Summit Forum for the 10th Anniversary of China's WTO Accession" was primarily attributable to the influence and market recognition of this high-level event. In addition, as we organized this event during the annual Guangzhou automobile exhibition, we could leverage the cost efficiency from the exhibition for such event.

Selling and Distribution Costs

Our selling and distribution costs increased by 77.0% to RMB15.9 million in the year ended December 31, 2011 from RMB9.0 million in the year ended December 31, 2010. This increase was primarily attributable to the increase in the number of our sales personnel as we expanded our operations, as well as the increase in the salaries and benefits for our sales personnel.

General and Administrative Expenses

Our general and administrative expenses increased by 40.3% to RMB15.1 million in the year ended December 31, 2011 from RMB10.7 million in the year ended December 31, 2010. This increase was primarily attributable to the increase in the salaries and benefits for our management, accounting and administrative personnel.

Other Gain, Net

Our other gain, net of other loss, decreased by 79.9% to RMB0.07 million in the year ended December 31, 2011 from RMB0.3 million in the year ended December 31, 2010. This decrease was mainly attributable to the decrease in the government grants received by our Shanghai entity, Shanghai Zhizhen.

Finance Income, Net

Our net finance income increased by 128.9% to RMB0.3 million for the year ended December 31, 2011 from RMB0.1 million for the year ended December 31, 2010. This increase was primarily due to an increase in interest income on short-term bank deposits.

Profit Before Income Tax

As a result of the foregoing, our profit before income tax increased by 48.4% to RMB114.6 million in the year ended December 31, 2011 from RMB77.2 million in the year ended December 31, 2010.

Income Tax Expenses

Our income tax expenses increased by 46.8% to RMB29.1 million in the year ended December 31, 2011 from RMB19.8 million in the year ended December 31, 2010. This increase was primarily attributable to the increase in our taxable income. Our effective tax rate in the year ended December 31, 2011 was approximately 25.4%, compared to 25.7% in the year ended December 31, 2010.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 49.0% to RMB85.5 million in the year ended December 31, 2011 from RMB57.4 million in the year ended December 31, 2010. Our net profit margin decreased from 19.3% for the year ended December 31, 2010 to 18.1% for the year ended December 31, 2011.

LIQUIDITY AND CAPITAL RESOURCES

Our ongoing cash requirements include payments for media resources, program production and sports competitions organization expenses, payments of our employees' salaries and benefits, office rentals and other operating expenses. Our anticipated cash needs also include costs associated with the expansion of our business and our sales force and our working capital requirements. Historically, we have financed our working capital, capital expenditures and other capital requirements primarily through cash generated from our operations. Most of our cost of services includes the media costs for advertising time slots and we are required to prepay such media costs prior to the utilization of corresponding advertising time slots. As such, we strive to match the payment terms granted by media operators to us with those granted by us to our clients to maintain balanced cash flows. We normally require advance payments from our clients before the placement of their advertisements in our Wisdom Program and Wisdom Branding units and allow the clients in our Wisdom Sports unit to make payments in installments. We may grant credit periods ranging from three to six months to some of these clients in practice, depending on their transaction volumes, length of relationship with us and credit history with us. We expect to take additional measures to closely monitor the credit periods granted to our clients and control the extended credit periods to the extent appropriate and necessary. However, we may still extend credit periods to some clients from time to time, depending on the industry practice taken by our competitors, and leverage our credit periods as a marketing strategy to strengthen our relationship with key existing clients and attract new clients. In the future, if industry practice shifts away from our current practice and our credit terms with clients and suppliers change accordingly, we may need to fund our working capital needs with increasing bank or other borrowings, which will increase our finance costs. We expect to fund our future capital expenditure, working capital and other cash requirements from cash generated from our operations and, when necessary, bank and other borrowings.

Our clients in Wisdom Program unit make payments to our designated bank accounts by wire transfer. Most of our clients in Wisdom Sports unit also settle our bills by wire transfer. With respect to ticket sales and registration fees, third-party ticket offices and payment companies help us to collect cash from the spectators and contestants. In our Wisdom Branding unit, most of our clients settle the bills by wire transfer, while a few clients make payments in bank acceptance notes.

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities	42,932	131,949	14,887
Net cash used in investing activities	(3,596)	(4,330)	(3,665)
Net cash used in financing activities	(18,000)	(35,510)	(48,285)
Cash and cash equivalents at beginning of year	23,035	44,371	136,480
Cash and cash equivalents at end of year	44,371	136,480	99,450
Net increase/(decrease) in cash and cash equivalents	21,336	92,109	(37,063)

Operating activities

Our cash provided by operating activities primarily consists of changes in assets and liabilities, which include trade and notes receivables, prepayments and other current assets, deposits and other receivables, amounts due from/to related parties, trade payables, and other payables and accruals.

Our net cash provided by operating activities in the year ended December 31, 2012 was RMB14.9 million. This was primarily due to (i) profit before tax of RMB177.8 million, (ii) a decrease in other receivables of RMB10.9 million as a result of return of deposit by CCTV, and (iii) an increase in tax payable of RMB7.7 million; partially offset by (i) a decrease in trade payables of RMB54.4 million as a result of our payment to CCTV, (ii) an increase in trade and notes receivables of RMB94.2 million from our clients, see "— Certain Balance Sheet Items — Trade and Notes Receivables", and (iii) payment of PRC corporate income tax of RMB31.1 million.

Our net cash provided by operating activities in the year ended December 31, 2011 was RMB131.9 million. This was primarily due to (i) profit before income tax of RMB114.6 million and (ii) a decrease in prepayments and other current assets of RMB12.3 million to CCTV and an increase in trade payables of RMB51.6 million to CCTV, both owing to our prior cooperation with CCTV; partially offset by (i) a decrease in advances from customers of RMB12.3 million as a result of our grant of better payment terms to certain of our clients with long-term relationships with us, (ii) an increase in trade and notes receivables of RMB10.9 million from our clients as a result of our sales growth and (iii) payment of PRC corporate income tax of RMB30.8 million.

Our net cash provided by operating activities in the year ended December 31, 2010 was RMB42.9 million, which was primarily due to (i) profit before income tax of RMB77.2 million, (ii) an increase in trade payables of RMB32.3 million to CCTV as a result of the relationship established with CCTV based on our prior cooperation, (iii) an increase in advances from customers of RMB14.4 million; partially offset by (i) an increase in other receivables of RMB28.3 million in connection with deposits to CCTV and an increase in prepayments and other current assets of RMB33.8 million primarily in connection with our new TV programs, including "Treasure Hunt (尋寶)" and "Oriental Horizon (東方時空)", and (ii) payment of PRC corporate income tax of RMB17.8 million.

Investing activities

Our net cash used in investing activities in the year ended December 31, 2012 was RMB3.7 million, primarily consisting of (i) purchase of furniture, fixtures, equipment and motor vehicles, and leasehold improvements of RMB2.9 million, and (ii) purchase of intangible assets of RMB2.5 million in connection with acquiring the right to organize "China Classic Car Rally (老式汽車中國拉力賽)" for a period of ten years from 2012 to 2021; partially offset by interest received of RMB1.7 million.

Our net cash used in investing activities in the year ended December 31, 2011 was RMB4.3 million, primarily consisting of purchases of furniture, fixtures, equipment and motor vehicles, and leasehold improvements.

Our net cash used in investing activities in the year ended December 31, 2010 was RMB3.6 million, primarily consisting of purchases of furniture, fixtures, equipment and motor vehicles, and leasehold improvements.

Financing activities

Our net cash used in financing activities in the year ended December 31, 2012 was RMB48.3 million, primarily consisting of dividends paid to Beijing Wisdom Media's then shareholders.

Our net cash used in financing activities in the year ended December 31, 2011 was RMB35.5 million, primarily consisting of dividends paid to Beijing Wisdom Media's then shareholders.

Our net cash used in investing activities in the year ended December 31, 2010 was RMB18.0 million, consisting of dividends paid to Beijing Wisdom Media's then shareholders.

CERTAIN BALANCE SHEET ITEMS

Trade and Notes Receivables

For our clients who purchase advertising time slots in our Wisdom Program and Wisdom Branding units, we normally require advance payment according to the specific payment schedules set forth in relevant advertisement placement agreements. If a client enters into an agreement with us with a term of one year, it may prepay the advertising fees in installments each month with respect to the advertisements to be placed in the following month. If a client enters into an agreement with us with a term shorter than a year, depending on its transaction volumes, length of relationship with us and credit history with us, it may be required to make a lump sum payment of the full advertising fees before the placement of its advertisements or prepay the advertising fees in installments. We generally do not grant credit terms to these clients in our agreements with them, except for a very few clients which have a large amount of transaction volume or long business relationship with us. For our clients in the Wisdom Program unit who purchase advertising resources other than advertising time slots, we normally allow them to make payments in installments according to the schedule set forth in our agreements with them.

For our clients in the Wisdom Sports unit, we normally allow them to make payments in installments according to the schedule set forth in our agreements with them.

In addition to our payment arrangements with the clients set forth in the relevant agreements, we conduct a periodic review of their payment progress in our internal control system and assess our credit policy for them. After taking into account of a series of factors, including transaction volume, length of business relationship, prior dealing history with us, creditworthiness, the industry practice, the macroeconomic and market competition environment, our financial position and working capital needs and our marketing and sales strategy, and subject to our chairlady's prior approval, we may further extend credit periods ranging from three to six months to some of our 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 our agreements with relevant clients. We 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 our assessment and ongoing communications with the clients.

Our trade and notes receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate, less provision for impairment. Subsequently, a provision for impairment is provided when there is evidence that we will not be able to collect all amounts due according to the terms of the original agreement with the client. When the trade and notes receivables are determined to be uncollectible, the uncollectible amount is written off as a bad debt expense. We determine whether our trade and notes receivables are past due in accordance with the contractual payment terms with our clients, regardless whether such receivables are still within the credit periods granted by us in practice. The table below sets forth the aging analysis of our trade and notes receivables, which were past due but not impaired, as of the dates indicated:

	As of December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Within 1 month	10,235	20,257	45,366
1 to 3 months	6,315	9,690	46,467
4 to 6 months	4,633	479	22,332
6 to 12 months	797	2,569	12,580
Over 12 months	280	120	564
	22,260	**33,115**	**127,309**

As of December 31, 2012, trade receivables of RMB60,000, related to one client, were impaired and written-off. Apart from this, no provisions or write-offs were recorded for trade receivables during the Track Record Period as our management assessed that the receivables could be recovered.

The number of clients with whom we had trade and notes receivables aged over one month for the years ended December 31, 2010, 2011 and 2012 accounted for approximately 12.7%, 11.7% and 23.8% of the total clients we served during the respective year.

Our trade and notes receivables increased by 48.8% from RMB22.3 million as of December 31, 2010 to RMB33.1 million as of December 31, 2011. This increase was primarily due to our sales growth in 2011.

Our trade and notes receivables increased significantly from RMB33.1 million as of December 31, 2011 to RMB127.3 million as of December 31, 2012. This increase was primarily attributable to (i) our sales growth in 2012, (ii) the bank acceptance notes in the amount of RMB15.0 million paid by our clients with terms of three months or shorter, (iii) the contribution of trade and notes receivables from our clients in Wisdom Sports business, who purchased our services in the second half of 2012 and were generally permitted to make payments in installments under their agreements with us, and (iv) the more favorable and competitive credit periods granted by us in practice in 2012 compared to our practice in 2011. As of April 30, 2013, 63.8% our trade and notes receivables as of December 31, 2012 was subsequently settled by our clients.

The following table sets out our average trade and notes receivables turnover days for the periods indicated:

	Year ended December 31,		
	2010	**2011**	**2012**
Average trade and notes receivables turnover days(1)	28	21	53

Note:

(1) Calculated using the average of the beginning and ending trade and notes receivables balances of the period, divided by revenue for the period and multiplied by 365 days.

Our average trade and notes receivables turnover days decreased from 28 days for the year ended December 31, 2010 to 21 days for the year ended December 31, 2011. Based on our review of the macroeconomic environment in China and ongoing discussions with our clients as to their business operations, we believed that most of our clients were benefited from the economy recovery after the global financial crisis. Therefore, we tightened our credit policy with respect to the collection of trade receivables in 2011. After the assessment of the creditworthiness of our clients' and their prior dealing history with us, we shortened the credit periods extended to our clients.

Our average trade and notes receivables turnover days increased from 21 days for the year ended December 31, 2011 to 53 days for the year ended December 31, 2012. This increase was primarily attributable to two reasons. As a result of slowdown in economic growth in China in 2012 and the PRC government's continued efforts to control inflation by tightening credit policy, many of our clients faced increasing pressure on cash flows and prolonged their payment cycle. Under such circumstances, many of our competitors offered more favorable credit periods to their clients as a marketing and sales strategy. To strengthen our historical relationship with certain clients and attract more clients to place advertisements in our newly launched programs and sports competitions, we also granted more favorable and competitive credit periods in practice in 2012 compared to our practice in 2011. We determined relevant credit periods based on an evaluation of a series of factors on a case-by-case basis and continued to actively monitor our collection progress. The grant or extension of credit periods to more clients also led to the increase in our trade and notes receivables aged over six months for the year ended December 31, 2012. Another reason for the increase in average trade and notes receivables turnover days was the transfer of business contracts in respect of our branding services and sports competitions organization business to Zhejiang Wisdom Advertising and Zhejiang Wisdom Sports, respectively, in the second half of 2012 as a part of our reorganization, which caused delay in collection as a result of signing new contracts and updating billing information in our clients' and our internal records. For details of our reorganization, see "History and Reorganization — Reorganization".

Other Receivables

Our other receivables primarily consist of deposits with media companies, advance to employees, lease deposits, events-related deposits and other deposits and others. Our other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate, less provision for impairment. The table below sets forth the details of our other receivables as of the dates indicated:

	As of December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Deposits with media companies	60,070	64,491	50,984
Advance to employees	6,148	3,291	4,435
Lease deposits and other deposits	—	—	1,199
Events-related deposits	—	—	324
Others	1,499	208	168
	67,717	**67,990**	**57,110**

Deposits with media companies represent the deposits paid by us to suppliers of media resources before the beginning of each contract year, which primarily include the deposits paid to CCTV in connection with our exclusive rights to advertising time slots for "World Express (國際時訊)", "News Weekly (新聞週刊)", "World Weekly (世界週刊)", "Treasure Hunt (尋寶)" and "Oriental Horizon (東方時空)". The following table sets forth the deposits we were required to pay for each of these programs and their refunding schedule under agreements with CCTV:

Program	Contract Term	Deposits (% of media costs)	Deposits Refund Schedule
News Weekly (新聞週刊)(1)	January 2010-December 2010	30%	In four installments by the end of each quarter
	January 2011-December 2011; January 2013-December 2013	10%	In the year end
World Weekly (世界週刊)(1)	January 2010-December 2010	30%	In four installments by the end of each quarter
	January 2011-December 2011; January 2013-December 2013	10%	In the year end
World Express (國際時訊)	January 2010-December 2010	30%	In four installments by the end of each quarter
	January 2011-December 2013	10%	In the year end
Treasure Hunt (尋寶)(1)	April 2010-December 2011	20%	In four installments by the end of each quarter
	January 2013-December 2013	10%	In the year end
Oriental Horizon (東方時空)	November 2010-December 2011	20%	In four installments by the end of each quarter
	January 2012-December 2013	10%	In the year end

(1) We did not acquire the exclusive rights to advertising time slots directly from CCTV for "News Weekly (新聞週刊)", "World Weekly (世界週刊)" and "Treasure Hunt (尋寶)" in 2012 and therefore did not pay any deposits with respect to these three TV programs.

The table below sets forth the details of our deposits with media companies as of the dates indicated:

	As of December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
News Weekly (新聞週刊)	3,174	1,908	2,471
World Weekly (世界週刊)	3,138	1,872	2,402
World Express (國際時訊)	15,877	20,113	11,505
Treasure Hunt (尋寶)	3,434	3,434	—
Oriental Horizon (東方時空)	32,802	31,919	29,643
Auto Fashion (車風尚)	1,039	1,039	457
Others	606	4,206	4,506
	60,070	64,491	50,984

We paid deposits to CCTV with respect to our exclusive rights to advertising time slots from our working capital. As we began to pay such deposits from the end of 2009 and continued to do so at the end of each year, our management took into account relevant demands for cash when formulating the overall business plan and budget. We generated stable and adequate cash flows during the Track Record Period, which satisfied our needs to settle the annual deposits. At the end of each year, the deposits paid by us in the previous year will either offset our media costs or be refunded to us. Therefore, we do not expect to need any significant amount of additional cash to fund the deposits for the next year. Our source of funding for the deposits is not limited to the adverting fees prepaid by our clients. We may also utilize the cash flows generated from operating activities in our Wisdom Program and Wisdom Sports units to pay the deposits as necessary.

The change in our deposits with media companies was primarily attributable to the terms and conditions under our agreements with media companies and the amount of advertising time slots for TV programs we acquired.

Our deposits with media companies were RMB60.1 million as of December 31, 2010, which primarily included (i) a small portion of deposits for "News Weekly (新聞週刊)", "World Weekly (世界週刊)" and "World Express (國際時訊)" paid at the end of 2009, which did not offset our media costs in 2010 as a result of delay in the internal approval process at CCTV, and (ii) the deposits for six TV programs for the advertising time slots during 2011 paid by us at the end of 2010.

We did not acquire the exclusive rights to advertising time slots directly from CCTV for "News Weekly (新聞週刊)", "World Weekly (世界週刊)" and "Treasure Hunt (尋寶)" in 2012 and therefore did not pay any deposit with respect to these three TV programs at the end of 2011. Our deposits with media companies were RMB64.5 million as of December 31, 2011, which primarily included (i) the deposits in the amount of RMB34.0 million for the advertising time slots during 2011 paid by us at the end of 2010, and (ii) the deposits paid by us in 2011 for "Oriental Horizon (東方時空)" and "World Express (國際時訊)" for the advertising time slots during 2012 to CCTV and certain advertising resources at China railways to a supplier. The increase in our deposits from the year ended December 31, 2010 to the year ended December 31, 2011 was primarily attributable to the facts that (i) among the deposits for six TV programs for the advertising time slots during 2011 paid by us at the end of 2010, RMB34.0 million did not offset our media costs in 2011 as a result of delay in the internal approval process at CCTV, and (ii) compared to the deposits which were paid by us at the end of 2009 and still outstanding as of December 31, 2010, the amount of deposits paid by us in 2011 was larger.

In 2011, we purchased certain advertising resources at China railways according to a cooperation framework agreement from a supplier, which was authorized by China railways to market and operate relevant advertising resources. However, after our receipt of a portion of relevant advertising resources, the remaining advertising resources at China railways became unavailable as a result of China railway's internal policy adjustment in the middle of that year, which was not within the control of this supplier and us. We agreed with this supplier that the payment of undelivered advertising resources could be used as our deposits for bidding other advertising resources from this supplier and offset relevant media costs in the future. We recorded the value of such undelivered advertising resources in the amount of RMB3.6 million as deposits as of December 31, 2011 and 2012. While we believe that the Company and this supplier remained in good relationship and did not have any disagreement, in order to protect the Company's interest, we initiated an arbitration process in Beijing with this supplier in 2012 to resolve the issues arising from the unavailability of certain advertising resources at China railways under the aforementioned cooperation framework agreement. The arbitration process concluded in May 2013 with a determination that all of our previous payment for the undelivered advertising resources shall be returned to us by this supplier. We and this supplier currently intend to settle such payment in July 2013.

We acquired the exclusive rights to advertising time slots directly from CCTV for five TV programs in 2013 and therefore paid deposits with respect to more TV programs at the end of 2012. However, our deposits with media companies decreased from RMB64.5 million as of December 31, 2011 to RMB51.0 million as of December 31, 2012, primarily attributable to the fact that the majority of our deposits paid at the end of 2010 and 2011 were refunded to us in 2012.

Prepayments and Other Current Assets

Our prepayments and other current assets primarily consist of prepayments for advertising time slots and, to a lessor extent, prepaid costs to other suppliers. Prepayments related to advertising time slots and other media-related suppliers are recorded as cost of services when the related revenue is recognized. Prepaid costs to non-media suppliers are recognized as expenses when the related service has been performed. Under our agreements with CCTV with respect to the exclusive rights to advertising time slots, we are required to prepay the media costs each month for the advertising time slots to be utilized in the following month for each TV program. As of the end of each year, the prepayments for advertising time slots typically represented the media costs prepaid by us for the advertising time slots to be utilized in the first month of the next year. The table below sets forth the details of our prepayments as of the dates indicated:

	As of December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Prepayment for advertising time slots	41,530	29,085	35,732
Prepaid membership fee	—	—	1,456
Prepaid rent and property management fees	—	—	457
[●]	—	—	[●]
Others	293	407	500
	41,823	**29,492**	**42,502**

Our prepayments and other current assets decreased from RMB41.8 million as of December 31, 2010 to RMB29.5 million as of December 31, 2011. This decrease was primarily due to the fact that we prepaid media costs for advertising time slots for five TV programs at the end of 2010 and two TV programs at the end of 2011 to CCTV as a result of our arrangement with Beijing Qili and CCTV. See "Business — Media Resources and Other Suppliers".

Our prepayments and other current assets increased from RMB29.5 million as of December 31, 2011 to RMB42.5 million as of December 31, 2012. This increase was primarily attributable to increase in prepayment for advertising time slots related to "News Weekly (新聞週刊)", "World Weekly (世界週刊)" and "Treasure Hunt (尋寶)" to which we re-acquired the exclusive rights in 2013.

Capitalized Program Costs

Capitalized program costs represent accumulated direct costs incurred to develop and produce TV programs which have yet to be broadcasted. Capitalized program costs include costs related to complete programs and costs related to programs still in production. Capitalized program costs are subsequently recognized in cost of services when the related programs are broadcasted. The table below sets forth the details of our capitalized program costs as of the dates indicated:

	As of December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Completed programs	—	—	4,156
Programs in production	—	—	519
Total	**—**	**—**	**4,675**

To achieve the efficiency in the production of TV programs and increase the utilization rates of the production studios leased by us, we normally arrange the on-site production of several episodes of TV programs during a certain period of time. Our capitalized program costs were RMB4.7 million as of December 31, 2012, the majority of which represents the costs incurred for certain episodes of "Lucky Go (週末駕到 / 天天駕到)" which were produced by us in 2012 and planned to be broadcasted in 2013.

Trade Payables

Trade payables are comprised of 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. Our trade payables primarily represent payables to CCTV to secure advertising time slots. Our trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. The table below sets forth the aging analysis of our trade payables as of the dates indicated:

	As of December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Within 1 month	26,009	32,277	7,441
1 to 3 months	6,178	37,451	1,221
4 to 6 months	511	13,558	2,711
Over 6 months	909	1,874	19,391
	33,607	**85,160**	**30,764**

Our trade payables were RMB33.6 million as of December 31, 2010, which mainly included media costs payable to CCTV and other suppliers. Pursuant to our agreements with CCTV in connection with the exclusive rights to advertising time slots, the minimum amount of media costs we are committed to pay correspond to media costs for a certain amount of advertising time slots. In addition, we may also sell more advertising time slots to our clients than those that were previously prescribed under our agreements with CCTV, if permitted by CCTV. At the end of each year, CCTV needs to verify the amount of advertising time slots actually purchased by us and relevant media costs. Moreover, CCTV has to confirm the amount of deposits to be refunded to us depending on the outstanding media costs we need to pay. As a result of the delay in the internal approval process at CCTV in 2010, we did not pay some media costs of advertising time slots utilized during 2010 and recorded the unpaid portion as trade payables at the end of that year. In addition, some of our suppliers of media resources do not require us to prepay the media costs and grant credit terms to us. The media costs payable to such suppliers also constituted a portion of our trade payables for the year ended December 31, 2010.

Our trade payables increased by 153.4% from RMB33.6 million as of December 31, 2010 to RMB85.2 million as of December 31, 2011. This increase was primarily due to the fact that CCTV extended credit periods to us in 2011 with respect to our media costs for advertising time slots for "Oriental Horizon (東方時空)". Generally, we are required to prepay the media costs each month for the advertisements to be broadcasted in the following month according to our agreements with CCTV. Although we did not encounter any shortfall in the operating cash for the payment of relevant media costs, the extension of credit periods by CCTV would enable us to have more flexibility in managing our cash flow. Given the facts that we had track record of sales of CCTV's advertising time slots since 2010 and our launch of a new program "Auto Fashion (車風尚)" at CCTV in March 2011 further strengthened our business relationships with CCTV, we decided to explore the possibility of extending credit periods by CCTV in mid-2011. At our request, CCTV agreed that we may postpone the payment of media costs of "Oriental Horizon (東方時空)" for relevant advertising time slots during the period from July to December 2011 and did not set a fixed credit period for us. Our deposits with CCTV were not adequate to offset relevant outstanding trade payables balances with CCTV during that period. We believe that CCTV's extension of relevant credit periods was largely based on our track record of sales of advertising time slots, our compliance with relevant agreements with CCTV and our good business relationships with CCTV. In addition, due to the similar situation in 2010, CCTV did not timely confirm the amount of media costs actually incurred by us in 2011 and approve the set-off or refund of our deposits for certain TV programs previously paid by us at the end of 2010. Therefore, we did not pay some media costs of advertising time slots utilized during 2011 and recorded the unpaid portion as trade payables at the end of 2011. At the end of 2011, we also owed media costs to some suppliers which did not require us to prepay the media costs and granted credit terms to us.

Our trade payables decreased by 63.9% from RMB85.2 million as of December 31, 2011 to RMB30.8 million as of December 31, 2012. This decrease was primarily attributable to our payment of media costs to CCTV in 2012 for the TV program "Oriental Horizon (東方時空)" for relevant advertising time slots during the period from July to August 2011. Our trade payables aged over six months as of December 31, 2012 primarily included the unpaid media costs of "Oriental Horizon (東方時空)" for relevant advertising time slots during the period from September to December 2011. We timely paid the media costs for "Oriental Horizon (東方時空)" for relevant advertising time slots in 2012. CCTV was aware that we had not paid the media costs for "Oriental Horizon (東方時空)" for relevant advertising time slots during the period from September to December 2011 when it granted us the exclusive rights to advertising time slots for five CCTV programs in 2013. In January 2013, we paid CCTV for media costs of advertising time slots for "Oriental Horizon (東方時空)" for the month of September 2011. In addition, CCTV completed its internal approval and confirmation process before the year-end in 2012, which facilitated our payment of actually incurred media costs and therefore reduced the amount of our trade payables. At the end of 2012, we also owed media costs to some suppliers which did not require us to prepay the media costs and granted credit terms to us. As of April 30, 2013, approximately 51.2% our trade payables as of December 31, 2012 was subsequently settled.

The following table sets out our average trade payables turnover days for the periods indicated:

	Year ended December 31,		
	2010	**2011**	**2012**
Average trade payables turnover days(1)	32	66	62

Note:

(1) Calculated using the average of the beginning and ending trade payable balances of the period, divided by cost of services provided for the period and multiplied by 365 days.

Our average trade payables turnover days increased from 32 days for the year ended December 31, 2010 to 66 days for the year ended December 31, 2011 and decreased to 62 days for the year ended December 31, 2012. The change in average trade payable turnover days was primarily due to the fact that CCTV extended credit periods to us with respect to our media costs of "Oriental Horizon (東方時空)" for relevant advertising time slots during the period from July to December 2011 and we paid the related media costs for the period from July to August 2011 in 2012.

Illustration of media costs payment arrangement with CCTV

To better illustrate our media costs payment arrangement with CCTV, we set out below our payment schedule of media costs of advertising time slots for "Oriental Horizon (東方時空)" in 2011 as an example. We acquired the exclusive rights to advertising time slots for "Oriental Horizon (東方時空)" for the first time in 2010 and entered into an agreement with CCTV with a term from November 1, 2010 to December 31, 2011.

We paid CCTV in 2010 for 20% of media costs of advertising time slots for "Oriental Horizon (東方時空)" during the term from November 2010 to December 2011 as deposits. Such amount was outstanding at the end of 2010 and recorded as "deposits with media companies" as of December 31, 2010.

In the first half of 2011, we prepaid the media costs for the amount of advertising time slots for "Oriental Horizon (東方時空)" actually purchased by us on a monthly basis according to our agreement with CCTV. As CCTV extended credit periods to us with respect to the media costs of advertising time slots for "Oriental Horizon (東方時空)" during the period from July to December 2011, we did not prepay relevant media costs and such amount was recorded as "trade payables" at the end of 2011. Due to the credit periods extended by CCTV, only 50% of deposits paid by us in 2010 for "Oriental Horizon (東方時空)" were refunded in 2011 and the other half was still outstanding at the end of 2011.

We renewed our agreement with CCTV with respect to the advertising time slots for "Oriental Horizon (東方時空)" for another year with a term from January 1, 2012 to December 31, 2012. At the end of 2011, we paid CCTV for 10% of media costs of advertising time slots for "Oriental Horizon (東方時空)" for the year of 2012 as deposits. Such amount was also recorded as "deposits with media companies" as of December 31, 2011 and expected to offset media costs for advertising time slots in 2012.

In addition, at the end of 2011, we prepaid the media costs for the advertising time slots for "Oriental Horizon (東方時空)" in January 2012. Such amount was recorded as "prepayment for advertising time slots" as of December 31, 2011.

Other Payables

Our other payables primarily consist of payroll payables, dividend payables others. The table below sets forth the details of our other payables and accruals as of the dates indicated:

	As of December 31,		
	2010	**2011**	**2012**
	RMB'000	**RMB'000**	**RMB'000**
Payroll payables	587	2,460	2,428
Dividend payables	—	4,000	5,000
[●]	—	—	[●]
Others	2,315	2,277	1,308
	2,902	**8,737**	**13,042**

Net Current Assets Position

The table below sets forth the breakdown of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current Assets				
Capitalized program costs	—	—	4,675	3,398
Trade and notes receivables	22,260	33,115	127,309	94,142
Other receivables	67,717	67,990	57,110	62,050
Prepayments and other current assets	41,823	29,492	42,502	55,886
Amounts due from related parties	5,521	473	113	242
Cash and cash equivalents	44,371	136,480	99,450	127,461
Total current assets	181,692	267,550	331,159	343,179
Current Liabilities				
Trade payables	33,607	85,160	30,764	17,422
Other payables	2,902	8,737	13,042	23,609
Advance from customers	19,177	6,834	11,854	13,202
Amounts due to related parties	1,483	1,396	3,817	3,558
Tax payables	9,353	5,657	28,176	22,730
Total current liabilities	66,522	107,784	87,653	80,521
Net Current Assets	**115,170**	**159,766**	**243,506**	**262,658**

We recorded a net current assets position of RMB159.8 million as of December 31, 2011, compared to a net current assets position of RMB115.2 million as of December 31, 2010. The improvement was primarily due to improvement in our business performance in 2011 and an increase in our cash and cash equivalents.

We recorded a net current assets position of RMB243.5 million as of December 31, 2012, compared to a net current assets position of RMB159.8 million as of December 31, 2011. The improvement was primarily due to improvement in our business performance in the year ended December 31, 2012.

Contractual Obligations and Commercial Commitments

The following table sets forth our operating lease commitments as of December 31, 2012:

	Payment Due by Period			
	Total	Within 1 year	2-5 years	More than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000
Operating lease commitments	7,578	3,473	4,105	—

As of December 31, 2012, our future payment commitments under the agreement with respect to the organization of "FIM Freestyle Motocross World Championship (國際摩聯花式極限摩托世界錦標賽)" from 2012 to 2016 are set out in the following table:

Year	RMB'000
2013	1,414
2014	1,456
2015	1,539
2016	1,621
Total	6,030

Contingent Liability

As of December 31, 2012 and the Latest Practicable Date, we did not have any contingent liabilities. There has been no material change in our contingent liabilities since the Latest Practicable Date.

Capital Expenditures and Working capital

Our capital expenditures, consisting of purchases of an office building, motor vehicles, furniture, fixtures and equipment, and leasehold improvements, were RMB3.7 million, RMB4.3 million and RMB2.9 million for the years ended December 31, 2010, 2011 and 2012, respectively.

Taking into account the financial resources available to us, including our cash and cash equivalents in hand and internally generated funds, our Directors are of the opinion that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this document.

We may, however, require additional cash due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue. In addition, if our existing cash is insufficient to meet our requirements, we may seek to sell additional equity securities, debt securities or borrow from lending institutions. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. The sale of additional equity securities, including convertible debt securities, would dilute our shareholders. If we are unable to obtain additional equity or debt financing as required, our business operations and prospects may suffer.

Indebtedness

As of December 31, 2012, our short-term bank loans and long-term bank loans amounted to nil. We did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness including banking facilities, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as of April 30, 2013. There has been no material change in our indebtedness since April 30, 2013.

Off-balance Sheet Commitments and Arrangements

As of December 31, 2012, we did not have any off-balance sheet commitments or arrangements. We do not anticipate entering into any such commitments or arrangements in the foreseeable future.

KEY FINANCIAL RATIOS

	Year ended December 31,		
	2010	2011	2012
Return on equity(1)	37.7%	43.2%	46.6%
Return on total assets(2)	26.2%	28.0%	35.6%

	As of December 31,		
	2010	2011	2012
Current Ratio(3)	2.73	2.48	3.78
Quick Ratio(4)	2.73	2.48	3.72

Notes:

(1) Return on equity is calculated by dividing profit for the year by the total equity at the respective year end multiplied by 100%.

(2) Return on total assets is calculated by dividing profit for the year by the total assets as at the respective year end multiplied by 100%.

(3) Current ratio is calculated by dividing current assets by current liabilities as at the respective year end.

(4) Quick ratio is calculated by dividing current assets less capitalized program costs divided by current liabilities at the respective year end.

Return on equity and return on total assets

For the years ended December 31, 2010, 2011 and 2012, our return on equity amounted to 37.7%, 43.2% and 46.6%, respectively, and our return on total assets amounted to 26.2%, 28.0% and 35.6%, respectively. Our return on equity and return on total assets increased during the Track Record Period primarily due to the improved business performance with increased profitability.

Current ratio and quick ratio

Our current ratio was decreased from 2.73 as of December 31, 2010 to 2.48 as of December 31, 2011. This decrease was mainly due to the increase of our current assets by 47.3% during the year ended December 31, 2011 and the increase in our current liabilities by 62.0% during the year ended December 2011. Our current ratio was increased from 2.48 as of December 31, 2011 to 3.78 as of December 31, 2012. This increase was mainly due to the increase our current assets by 23.8% during the year ended December 31, 2012 and the decrease in our current liabilities by 18.7% during the year ended December 31, 2012.

Our quick ratio was 2.73, 2.48 and 3.72 as of December 31, 2010, 2011 and 2012, respectively. Our current ratio and quick ratio were the same as of December 31, 2010 and 2011, respectively, due to the fact that we did not have any inventories at that time. The difference between our current ratio and quick ratio as of December 31, 2012 was due to the fact that we recorded RMB4,675,000 as capitalized program costs as of December 31, 2012.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our exposure to interest rate risk primarily relates to our interest income generated by excess cash, which is mostly held in interest-bearing bank deposits or investment products provided by domestic banks. We have not used derivative financial instruments in our investment portfolio. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed nor do we anticipate being exposed to material risks due to changes in market interest rates. However, our future interest income may fall short of expectations due to changes in market interest rates.

Foreign Currency Risk

We mainly operate in the PRC and substantially all of our transactions, assets and liabilities are denominated in Renminbi. We entered into some contracts in relation to the organization and management of sports-related competitions which are denominated in foreign currency. As the impact of foreign currency risk on our operations was not material in the past, we have not entered into any forward contracts, currency borrowings or derivative instruments to hedge our exposure to foreign currency risk. Our management monitors our foreign currency exposure and will consider hedging against significant foreign currency exposure when the need arises.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The carrying amounts of bank deposits, and trade and other receivables included in the combined financial statements represent our maximum exposure to credit risk in relation to our financial assets. We seek to maintain strict control over our outstanding receivables and overdue balances are reviewed regularly by our management. Due to the fact that our trade receivables relate to a large number of diversified customers, we have no significant concentrations of credit risk.

Inflation Risk

According to the National Bureau of Statistics of China, as represented by the general consumer price index, China experienced an overall inflation rate of 3.3%, 5.4% and 2.6% in 2010, 2011 and 2012, respectively. Such inflation has not had a significant impact on our results of operations in the respective years.

DIVIDEND POLICY

Our Directors, subject to approval by our shareholders, may declare dividends after taking into account, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on HKFRS, our Memorandum and Articles of Association, terms and conditions under the Structured Contracts, the PRC Company Law, applicable laws and regulations and other factors that our Directors deem relevant.

Our ability to declare future dividends will depend on the availability of dividends, if any, received from our PRC operating subsidiaries. Under PRC laws and the articles of association of our PRC operating subsidiaries, dividends may be paid only out of distributable profits, which refer to after-tax profits as determined under PRC GAAP less any recovery of accumulated losses and required allocations to statutory funds. Any distributable profits that are not distributed in a given year are retained and become available for distribution in subsequent years. In general, we will not declare dividends in a year when we do not have any distributable earnings.

No dividend has been paid or declared by the Company since its incorporation. Beijing Wisdom Media declared dividends to its then shareholders in the amount of RMB18.0 million and RMB40.0 million in the years ended December 31, 2010 and 2011, respectively, all of which have been paid. Beijing Wisdom Media declared dividends to its then shareholders in the amount of RMB50.0 million in July 2012, out of which RMB45.0 million was paid as of December 31, 2012 and the remaining portion will be paid before the Beijing Wisdom Media declared dividends to its then shareholders in the amount of RMB80.0 million in May 2013, out of which RMB72.0 million has been paid and the remaining portion will be paid before the [●]. We plan to use the remaining retained earnings of Beijing Wisdom Media accumulated as of the date of the Structured Contracts as part of its working capital for future operating activities, which include payment of service fees by Beijing Wisdom Media to Wisdom Culture pursuant to the exclusive consulting and service agreement.

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

Our Directors confirm that they have performed sufficient due diligence on our Company to ensure that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2012, and there is no event since December 31, 2012 which would materially affect the information shown in the Accountant's Report, the text of which is set out in Appendix I to this document.

FUTURE PLANS

FUTURE PLANS AND PROSPECTS

Please refer to the section headed "Business — Business Strategies" in this document for a detailed description of our future plans.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company pursuant to the requirements of Auditing Guideline 3.340 issued by the Hong Kong Institute of Certified Public Accountants.

[DRAFT]

[*Date*]

The Directors
Wisdom Holdings Group

Dear Sirs,

We report on the financial information of Wisdom Holdings Group (the "Company") and its subsidiaries (together, the "Group"), which comprises the combined balance sheets as at December 31, 2010, 2011 and 2012, the balance sheet of the Company as at December 31, 2012 and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended December 31, 2010, 2011 and 2012 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the document of the Company dated [●] (the "Document").

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. Pursuant to a group reorganization as described in Note 1.2 of Section II headed "Reorganization" below, which was completed on June 24, 2013, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganization").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1.2 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

No audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation other than the Reorganization. The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1.2 of Section II.

The directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs. The Underlying Financial Statements have been audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司) in accordance with Hong Kong Standards on Auditing (the "HKSAs") issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon and on the basis set out in Note 1.3 of Section II below.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of presentation set out in Note 1.3 of Section II below and in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in Note 1.3 of Section II below, a true and fair view of the state of affairs of the Company as at December 31, 2012 and of the combined state of affairs of the Group as at December 31, 2010, 2011 and 2012 and of the Group's combined results and cash flows for the Relevant Periods then ended.

Section I Financial information for the Group

The following is the financial information of the Group prepared by the directors of the Company as at December 31, 2010, 2011 and 2012 and for each of the years ended December 31, 2010, 2011 and 2012 (the "Financial Information"). The Financial Information of the Group is presented on the basis set out in Note 1.3 of Section II below:

(A) Combined Balance Sheets

	Section II Note	As at December 31, 2010	2011	2012
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	11	36,674	37,370	36,110
Intangible assets	12	207	467	2,602
Deferred income tax assets	23	143	612	721
Total non-current assets		37,024	38,449	39,433
Current assets				
Capitalized program costs	13	—	—	4,675
Trade and notes receivables	14	22,260	33,115	127,309
Other receivables	15	67,717	67,990	57,110
Prepayments and other current assets	16	41,823	29,492	42,502
Amounts due from related parties	29	5,521	473	113
Cash and cash equivalents	17	44,371	136,480	99,450
Total current assets		181,692	267,550	331,159
Total assets		218,716	305,999	370,592
EQUITY				
Equity attributable to equity holders of the Company				
Share capital and share premium	18	—	—	3,204
Reserves	19	91,859	98,316	105,882
Retained earnings		60,335	99,486	173,853
		152,194	197,802	282,939
Non-controlling interest		—	413	—
Total equity		152,194	198,215	282,939
LIABILITIES				
Current liabilities				
Trade payables	20	33,607	85,160	30,764
Other payables	21	2,902	8,737	13,042
Advance from customers		19,177	6,834	11,854
Amount due to related parties	29	1,483	1,396	3,817
Tax payables	22	9,353	5,657	28,176
Total current liabilities		66,522	107,784	87,653
Total liabilities		66,522	107,784	87,653
Total equity and liabilities		218,716	305,999	370,592
Net current assets		115,170	159,766	243,506
Total assets less current liabilities		152,194	198,215	282,939

(B) Combined Statements of Comprehensive Income

	Section II Note	Year ended December 31, 2010	2011	2012
		RMB'000	RMB'000	RMB'000
Revenues		298,169	471,391	557,213
Cost of services	7	(201,709)	(326,212)	(340,250)
Gross profit		96,460	145,179	216,963
Selling and distribution costs	7	(8,968)	(15,869)	(19,221)
General and administrative expenses	7	(10,743)	(15,073)	(21,634)
Other gain, net	6	344	69	51
Operating profits		77,093	114,306	176,159
Finance income	9	168	363	1,675
Finance costs	9	(19)	(22)	(30)
Finance income, net		149	341	1,645
Profit before income tax		77,242	114,647	177,804
Income tax expenses	10	(19,837)	(29,116)	(45,828)
Profit for the year		57,405	85,531	131,976
Profit attributable to:				
Equity holders of the Company		57,405	85,608	131,900
Non-controlling interest		—	(77)	76
		57,405	85,531	131,976
Other comprehensive income:				
Foreign currency translation adjustment		—	—	33
Total comprehensive income for the year		57,405	85,531	132,009
Attributable to:				
Equity holders of the Company		57,405	85,608	131,933
Non-controlling interest		—	(77)	76
Total comprehensive income for the year		57,405	85,531	132,009
Dividend	24	18,000	40,000	50,000

(C) Combined Statements of Changes in Equity

		Attributable to equity holders of the Company						
	Section II Note	Share capital	Share premium	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2010		—	—	76,270	36,519	112,789	—	112,789
Profit/ total comprehensive income for the year		—	—	—	57,405	57,405	—	57,405
Issuance of ordinary shares for reorganization of Beijing Wisdom Media to a joint stock company	19	—	—	8,628	(8,628)	—	—	—
Dividend	24	—	—	—	(18,000)	(18,000)	—	(18,000)
Statutory reserves appropriation	19	—	—	6,961	(6,961)	—	—	—
Balance at December 31, 2010		—	—	91,859	60,335	152,194	—	152,194
Profit/ total comprehensive income for the year		—	—	—	85,608	85,608	(77)	85,531
Non-controlling interest arising from Xinchuang Interaction		—	—	—	—	—	490	490
Dividend	24	—	—	—	(40,000)	(40,000)	—	(40,000)
Statutory reserves appropriation	19	—	—	6,457	(6,457)	—	—	—
Balance at December 31, 2011		—	—	98,316	99,486	197,802	413	198,215
Profit/ total comprehensive income for the year		—	—	—	131,900	131,900	76	131,976
Capital contribution from equity holders of the Company	18	63	3,141	—	—	3,204	—	3,204
Statutory reserves appropriation	19	—	—	7,533	(7,533)	—	—	—
Dividend	24	—	—	—	(50,000)	(50,000)	—	(50,000)
Disposal of minority interest	26	—	—	—	—	—	(489)	(489)
Foreign currency translation adjustment		—	—	33	—	33	—	33
Balance at December 31, 2012		63	3,141	105,882	173,853	282,939	—	282,939

(D) Combined Statements of Cash Flows

	Year ended December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Cash flows from operating activities			
Profits before income tax	77,242	114,647	177,804
Adjustments for:			
Loss on disposal of a subsidiary	—	—	2
Interest income	(168)	(363)	(1,675)
Loss on disposal of items of property, plant and equipment	—	7	14
Depreciation	2,809	3,630	4,083
Amortization	12	100	366
Changes in working capital:			
Increase in capitalized program costs	—	—	(4,675)
Decrease/(increase) in trade and notes receivables	1,746	(10,855)	(94,194)
(Increase)/decrease in other receivables	(28,289)	(273)	10,880
(Increase)/decrease in prepayments and other current assets	(33,800)	12,331	(13,010)
(Increase)/decrease in amounts due from related parties	(5,403)	5,048	360
Increase/(decrease) in trade payables	32,322	51,553	(54,396)
Increase in other payables	368	1,835	5,305
Increase/(decrease) in advance from customers	14,408	(12,343)	5,020
(Decrease)/increase in amounts due to related parties	(514)	(87)	2,421
(Decrease)/increase in tax payable	(41)	(2,516)	7,729
Cash generated from operations	60,692	162,714	46,034
Income tax paid	(17,760)	(30,765)	(31,147)
Net cash generated from operating activities	42,932	131,949	14,887
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment	—	—	24
Purchase of property, plant and equipment	(3,561)	(4,333)	(2,862)
Purchase of intangible assets	(203)	(360)	(2,500)
Interest received	168	363	1,675
Proceeds from disposal of a subsidiary	—	—	508
Cash disposed related to disposal of a subsidiary	—	—	(508)
Disposal of a subsidiary	—	—	(2)
Net cash used in investing activities	(3,596)	(4,330)	(3,665)
Cash flows from financing activities			
Capital contribution from equity holders of the Company	—	—	3,204
Cash paid by non-controlling interest for investment in a subsidiary	—	490	(489)
Dividend paid to equity holders	(18,000)	(36,000)	(49,000)
Cash paid for discount on equity investment in 2009	—	—	(2,000)
Net cash used in financing activities	(18,000)	(35,510)	(48,285)
Net increase/(decrease) in cash and cash equivalents	21,336	92,109	(37,063)
Cash and cash equivalents at beginning of year	23,035	44,371	136,480
Effect of change in exchange rate	—	—	33
Cash and cash equivalents at end of year	44,371	136,480	99,450

(E) Balance Sheet of the Company

	Section II Note	As at December 31, 2012 RMB'000
ASSETS		
Non-current assets		
Investment in a subsidiary		—
Current assets		
Prepayment and other current assets		2,531
Amounts due from subsidiaries		4,449
Cash and cash equivalents		263
Total current assets		7,243
Total assets		7,243
EQUITY		
Equity attributable to owners of the Company		
Share capital and share premium	18	3,204
Accumulated deficit		(436)
Total equity		2,768
LIABILITIES		
Current liabilities		
Amounts due to shareholders		2,453
Amount due to subsidiaries		231
Other payables		1,791
Total liabilities		4,475
Total liabilities and equity		7,243
Net current assets		2,768
Total assets less current liabilities		2,768

Section II Notes to the Combined Financial Statements

1. General Information, Reorganization and Basis of Presentation

1.1 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, Hutchins 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 advertising services, organization and management of sports-related competitions and other marketing events, and program production and related services in the People's Republic of China (the "PRC" or "China") ("the [●] Business").

1.2 Reorganization

Prior to the incorporation of the Company and the completion of the reorganization steps as described below (the "Reorganization"), operations of the [●] Business was carried out by Beijing Wisdom Media Holding Co., Limited (hereinafter "Beijing Wisdom Media") and its subsidiaries, which were incorporated in the PRC. The companies comprising the [●] Business are under the control of Ms. Ren Guozun (Ms. Ren, the "Controlling Shareholder").

The Group underwent the Reorganization to transfer the [●] Business to the Company:

- On March 16, 2012, Queen Media Co., Ltd. ("Queen Media"), Top Car Co., Ltd. ("Top Car") and Lucky Go Co., Ltd. ("Lucky Go") were incorporated as investment holding companies in the British Virgin Islands (the "BVI"). Queen Media is wholly-owned by the Controlling Shareholder. Top Car is 88.42% owned by the Controlling Shareholder, and two individual shareholders of Beijing Wisdom Media own the remaining 11.58% interests. Lucky Go is 35.57% owned by the Controlling Shareholder, and thirteen individual shareholders of Beijing Wisdom Media own the remaining 64.43% interests.

- On March 21, 2012, Queen Media, Top Car and Lucky Go incorporated the Company as an investment holding company in the Cayman Islands. Upon incorporation, total authorized share capital was US$50,000, divided into 50,000 shares with a nominal value of US$1.00 per share, of which 5,029 shares was issued to Queen Media, 864 shares was issued to Top Car and 2,907 shares were issued to Lucky Go, representing 57.15%, 9.82% and 33.03%, respectively, of the total issued shares of the Company. Therefore, as at March 21, 2012, the Controlling Shareholder held 77.58% equity ownership in the Company through Queen Media, Top Car and Lucky Go, and the remaining 22.42% equity ownership was held by the other individual shareholders.

- On June 28, 2012, the Company issued 1,000 shares to the Controlling Shareholder. In July 2012, the Controlling Shareholder transferred these 1,000 shares to Avance Holdings Limited and the Company issued 100 shares each to Guan Xin Investments Limited and Merits Gain Investments Ltd, respectively. In July 2012, certain shareholders of Lucky Go also transferred 600, 200, 200, 200, 100 and 100 shares of the Company to Joy Thought Holdings Limited, New Kingleader Holdings Limited, Horoy Enterprise Holdings Limited, Horoy International Holdings Limited, Simplicio Universal Limited and Sunny Stone Limited, respectively. At the conclusion of these transactions, the Controlling Shareholder held 62.92% equity ownership in the Company and the remaining shareholders held 37.08% equity ownership in the Company.

- On April 2, 2012, Torch Media Co., Ltd. ("Torch Media") was incorporated as a limited liability company in BVI with an authorized share capital of US$50,000 divided into 50,000 shares of nominal value of US$1.00 each. One ordinary share of US$1.00 was issued to the Company on the same date. Since the date of establishment, Torch Media has been a wholly-owned subsidiary of the Company.

- On April 23, 2012, Auto Culture Group Holdings Limited ("Wisdom HK") was incorporated as a limited liability company in Hong Kong, with an authorized share capital of HK$10,000 divided into 10,000 ordinary shares with a nominal value of HK$1.00 each. One ordinary share of HK$1.00 was issued to the Torch Media on the same date. Since the date of establishment, Wisdom HK has been a wholly-owned subsidiary of Torch Media.

- On July 6, 2012, Wisdom HK incorporated Beijing Wisdom Culture Co., Ltd. ("Wisdom Culture") as a wholly-owned foreign enterprise in the PRC. On August 3, 2012, Wisdom Culture incorporated Zhejiang Wisdom Car Culture Advertising Co., Ltd. ("Zhejiang Wisdom Advertising") and Zhejiang Wisdom Sports Culture Co., Ltd. ("Zhejiang Wisdom Sports") as its wholly-owned subsidiaries. On April 3, 2013, Wisdom Culture incorporated Zhejiang Wisdom Advertising Co., Ltd. ("Zhejiang Weishide Advertising") as its wholly-owned subsidiary.

- On June 24, 2013, Wisdom Culture entered into a series of contractual arrangements with Beijing Wisdom Media and its direct shareholders, comprising of the exclusive consulting and service agreement, irrevocable power of attorney, exclusive business operating agreement, exclusive option agreement and share pledge agreement (collectively the "Structured Contracts"). The arrangements of the Structured Contracts enable Wisdom Culture to exercise effective control over Beijing Wisdom Media and obtain substantially all residual economic benefits of Beijing Wisdom Media. Details of the Structured Contracts are disclosed in the Document section titled "*History and Reorganization — Reorganization — Structured Contracts*".

Upon completion of the Reorganization, the Company became the ultimate holding company of the Group.

As of the date of this report, the Company has direct and indirect interests in the following entities:

Company name	Place and date of incorporation/ registration	Nominal value of issued ordinary share/ paid-up capital	Attributable equity interest		Principal activities	Note
			Direct	Indirect		
Torch Media Co., Ltd	BVI April 2, 2012	1 ordinary share of US$1.00	100%	—	Investment holding	(i)
Auto Culture Group Holdings Limited	Hong Kong April 23, 2012	1 ordinary share of HK$1.00	—	100%	Investment holding	(i)
Beijing Wisdom Culture Co., Ltd	PRC July 6, 2012	US$500,000	—	100%	Investment holding	(i)
Beijing Wisdom Media Holding Co., Limited	PRC December 26, 2006	RMB60,000,000	—	100%	Program production and related services	(i)
Zhejiang Wisdom Car Culture Advertising Co., Ltd.	PRC August 3, 2012	RMB10,000,000	—	100%	Advertising services	(i)
Zhejiang Wisdom Sports Culture Co., Ltd.	PRC August 3, 2012	RMB10,000,000	—	100%	Event organization and related services	(i)
Zhejiang Weishide Advertising Co., Ltd.	PRC April 4, 2013	RMB10,000,000	—	100%	Advertising and related services	(i)

Company name	Place and date of incorporation/ registration	Nominal value of issued ordinary share/ paid-up capital	Attributable equity interest		Principal activities	Note
			Direct	Indirect		
Subsidiaries of Beijing Wisdom Media Holding Co., Limited:						
Beijing Car Culture Advertising Co., Ltd.	PRC August 25, 2010	RMB5,000,000	—	100%	Advertising services	(i)
Shanghai Zhizhen Media Co., Ltd.	PRC July 10, 2007	RMB500,000	—	100%	Advertising services	(i)
Guangzhou Qibu Media Co., Ltd.	PRC December 24, 2009	RMB3,000,000	—	100%	Event organization and related services	(ii)
Beijing Xinchuang Branding Co., Ltd.	PRC January 25, 2011	RMB1,000,000	—	100%	Advertising and related services	(i)
Beijing Wisdom Leadership Sports Culture Co., Ltd.	PRC January 25, 2011	RMB1,000,000	—	100%	Dormant	(i)

Notes:

(i) No audited financial statements have been prepared as these companies are either newly incorporated or they are incorporated in jurisdictions which do not have any statutory audit requirements.

(ii) The statutory financial statements of this company for the year ended December 31, 2010 was audited by RSM CPAs. For the year ended December 31, 2011 and 2012, this company was not subject to statutory audit.

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

1.3 Basis of presentation

Immediately prior to the Reorganization, the [●] Business was carried out by Beijing Wisdom Media and its subsidiaries, which were under the control of the Controlling Shareholder. Pursuant to the Reorganization as mentioned in Note 1.2 above, the Structured Contracts enable Wisdom Culture, a wholly owned subsidiary of the Company, to exercise effective control over Beijing Wisdom Media and its subsidiaries and to obtain substantially all residual economic benefits of Beijing Wisdom Media and its subsidiaries. Accordingly, Beijing Wisdom Media and its subsidiaries, and thus the [●] Business is under the effective control of the Company through the Structured Contract arrangements. The Company has not been involved in any other business prior to the Reorganization and does not meet the definition of a business. The Reorganization is merely a reorganization of the [●] Business and does not result in any changes in the substance, management and Controlling Shareholder of the [●] Business before and after the Reorganization. Accordingly, the combined financial information of the companies now comprising the Group is presented using the carrying values of the [●] Business under Beijing Wisdom Media and its subsidiaries for all periods presented. For the purpose of this report, the Financial Information of the Group has been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). With the completion of the Reorganization on June 24, 2013, Beijing Wisdom Media will effectively become an indirect subsidiary of the Company and the Group will then consolidate the financial results of Beijing Wisdom Media and its subsidiaries.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Financial Information which are in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA are set out below. The Financial Information has been prepared under the historical cost convention.

The preparation of the combined financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the combined financial statements, are disclosed in Note 3 below.

As of the date of this report, the HKICPA has issued the following new standards, amendments and interpretations which are relevant to the Group's operations but not yet effective for annual accounting period beginning January 1, 2013, and which have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKFRS 9 (Amendment)	*Financial instruments*	January 1, 2015
HKFRS 7 (Amendment)	*Mandatory effective date and transition disclosures*	January 1, 2015
HKFRS 9	*Financial instruments*	January 1, 2015
HKFRS 10	*Consolidated financial statements*	January 1, 2013
HKFRS 11	*Joint arrangements*	January 1, 2013
HKFRS 12	*Disclosure of interest in other entities*	January 1, 2013
HKFRS 13	*Fair value measurements*	January 1, 2013
HKAS 19 (Revised 2011)	*Employee benefits*	January 1, 2013
HKAS 27 (Revised 2011)	*Separate financial statements*	January 1, 2013
HKAS 28 (Revised 2011)	*Investment in associates and joint ventures*	January 1, 2013
HKAS 32 (Amendment)	*Financial instruments: Presentation — Offsetting financial assets and financial liabilities*	January 1, 2014
HKFRS 7 (Amendment)	*Financial instruments: Disclosure — Offsetting financial assets and financial liabilities*	January 1, 2013

Management is in the process of assessing the impact of the above standards, amendments and interpretations on the combined financial statements of the Group. The adoption of the above is not expected to have a material impact on the combined financial statements of the Group.

2.2 Consolidation of subsidiaries

Subsidiaries are all entities, including special purpose entities, over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Disposal of subsidiaries

When the Group dispose a business, resulting in loss of control, in exchange for consideration, the assets and liabilities of the disposed business is derecognized in the financial statements and any profit or loss upon disposal is recorded in the statements of comprehensive income. Any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss.

In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. Accordingly, amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reports provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer whom makes all strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The combined financial statements are presented in Renminbi (RMB), which is the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of comprehensive income.

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income.

Upon combination, exchange differences arising from the translation of the net investment in foreign operations are recognized in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost of each asset to their residual values over their estimated useful lives as follows:

Office premise	30 years
Renovation and leasehold improvements	Shorter of the remaining lease period or the estimated useful life of 5 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognized within profit or loss.

2.7 Intangible assets

Acquired operating rights are carried at cost less amortization, which is calculated using the straight-line method to allocate the cost of the operating rights over its useful life of ten years.

Acquired computer software is capitalized based on the cost incurred to acquire and bring to use the specific software, and amortized over estimated useful lives of five years. Subsequent costs associated with maintaining the computer software programmes are expensed as incurred.

2.8 Capitalized program costs

Capitalized program costs include accumulated direct costs incurred to develop and produce television programs which have yet to be broadcasted. Capitalized program costs include costs related to complete programs and costs related to programs still in production. These costs are capitalized when it is probable that future economic benefits associated with the programs will flow to the Group and when such costs can be reliably measured. Capitalized program costs are subsequently recognized in cost of services when the related programs are broadcasted.

2.9 Prepayments and other current assets

Prepayments primarily consist of prepayments for advertising time slots and, to a lesser extent, prepaid costs to other suppliers. Prepayments related to advertising time slots and other media-related suppliers are recognized as cost of services when the related revenue is recognized. Prepaid costs to non-media suppliers are recognized as expenses when the related service has been performed.

Other current assets primarily consist of capitalized costs related to the Company's [●].

2.10 Receivables

Receivables include trade receivables, notes receivables and other receivables that are due from customers, suppliers or other vendors in the ordinary course of business. If collection of receivables is expected in one year or less, they are classified as current assets. Otherwise, they are presented as non-current assets.

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

2.11 Cash and cash equivalents

Cash and cash equivalents at each balance sheet date include cash on hand, deposits held at call with banks and short-term bank deposits with original maturities of three months or less.

Term deposits held during a period are converted to deposits held at call at each reporting period end. Accordingly, no term deposits are recognized on the Group's combined balance sheets.

2.12 Share capital and share premium

Share capital as at each balance sheet date represents the ordinary shares of the Company. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Share premium represents the considerations exceeding the ordinary shares with carrying value.

2.13 Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers or other vendors. Trade and other payables are classified as current liabilities if payment is due within one year or less. Otherwise, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.14 Current and deferred income tax

The tax expenses for the period is comprised of current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated based on tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.15 Employee benefits

Entities within the Group registered in the PRC make employee benefit contributions based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan and medical benefit plan organized by relevant municipal and provincial government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

The PRC employees of the Group are also entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the employees' salaries. The Group's liability in respect of these funds is limited to the contributions payable in each period. The non-PRC employees are not covered by the housing benefits.

2.16 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

A contingent liability is not recognized in the combined financial statements of the Group, but is to be disclosed in the notes to the combined financial statements by the Group, unless the possibility of an outflow of resources embodying economic benefits is remote.

2.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the performance of services in the ordinary course of the Group's activities. Revenue is shown net of related sales-related tax, refunds and discounts, and after eliminating sales within the Group. For the years ended December 31, 2010, 2011 and 2012, sales-related tax amounted to RMB10,139,057, RMB14,157,728 and RMB19,506,898, respectively.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement. Service fees prepaid by customers where the relevant services have not been rendered are deferred and recognized as advance from customers in the Group's combined balance sheets.

(a) Advertising services

Revenue from advertising services is primarily derived from advertising service fees related to arranging broadcast of the customers' advertisement during selected media suppliers' television programs. Revenues from advertising services are recognized net of rebates, ratably over the period in which the services are performed. In addition, the Group also performs advertising related services, including integrated designing, marketing and branding services, for customers. Revenue from these advertising related services is recognized when the service has been performed and accepted by the customer.

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

(b) Program production and related services

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

(c) Event organization and management services

Revenue from event organization and management services is mainly derived from the organizing and managing of domestic and international sports-related competitions and providing other related marketing services in conjunction with these events. Revenue from event organization and related services is recognized at the conclusion of the events, which is the point in time when all service has been provided.

2.18 Interest income

Interest income is recognized using the effective interest method. When a loan or receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognized using the original effective interest rate.

2.19 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. The Group recognize income from government grants in other gain, net.

2.20 Share-based payment

The Group operates equity-settled share-based compensation plans under which the entity receives services from employees and other service providers as consideration in exchange for equity instruments of the Group. The fair value of the services received in exchange for the grant of the equity instruments is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instrument granted:

i. including any market performance conditions (e.g. an entity's share price);

ii. excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period) and;

iii. including the impact of any non-vesting conditions (e.g. requirement for employees to save).

Total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, or when the terms of the equity instruments have been met. In addition, in some circumstances, employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date. In cases where these share-based payment instruments contain non-market vesting conditions, the entity revises its estimates of the number of options that are expected to vest, based on the probability occurrence of the non-market vesting conditions, at each reporting period end. It recognizes the impact of the revision to original estimates, if any, in the combined statements of comprehensive income, with a corresponding adjustment to equity.

2.21 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the period of the lease.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's Board of Directors.

3. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

3.1 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test, and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

3.2 Impairment of receivables

The Group's management determines the provision for impairment of trade, notes and other receivables based on an assessment of the recoverability of the receivables. The assessment is based on the credit history of its customers and other debtors, status of ongoing communication with customers and other debtors and the current market and economic conditions. Assessment of these facts and evidence require the use of judgement. Management reassesses the provision at each balance sheet date based on the aforementioned criteria. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for receivables.

3.3 Current and deferred income tax

The Group is subject to income taxes in various jurisdictions. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimates, such differences will impact the recognition of deferred income tax assets and taxation provisions in the period in which such estimates is changed.

3.4 Structured contracts

Wisdom Culture entered into the Structured Contracts with Beijing Wisdom Media and its shareholders, and because of the Structure Contracts, Wisdom Culture has effective control over Beijing Wisdom Media and its subsidiaries. The understanding of the terms of the Structure Contracts, relationship between parties and control obtained by Wisdom Culture from the Structured Contracts require significant judgment. Management has consulted with its PRC legal counsel in assessing Wisdom Culture's ability to control Beijing Wisdom Media under PRC laws and regulations. Any changes in PRC laws, rules and regulations that affect Wisdom Culture's ability to control Beijing Wisdom Media might preclude the Group from consolidating Beijing Wisdom Media and its subsidiaries in the future.

3.5 Revenue recognition

The Group determines whether to recognize revenue on a gross or net basis by assessing the terms of the service agreements, the facts and circumstances of the relationship with its customer and other specific indicators (see Note 2.17(a)). These indicators are subjective in nature and require judgment from management.

4. Financial Risk Management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, cash flow and fair value interest-rate risks, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the Group's senior management team, finance and legal department under policies approved by the Chief Executive Officer.

(a) Foreign exchange risk

The Group mainly operates in the PRC and substantially all of the Group's transactions, assets and liabilities are denominated in RMB. The Group has a few foreign currency denominated monetary assets and monetary liabilities. Therefore, the Group is not exposed to significant foreign exchange risk.

(b) Cash flow and fair value interest-rate risk

The Group does not have any significant interest-bearing financial assets or financial liabilities except for cash deposit held in banks, details of which are disclosed in Note 17 of Section II below. Interest rates of cash deposits held in banks was fixed at 0.3% for the year ended December 31, 2010 to 0.5% for the year ended December 31, 2012. For the year ended December 31, 2012, interest rates for 7-day term deposits ranged from 1.5% to 3.3% and interest rates for 100-day term deposits was fixed at 3.1%. The Group did not have any term deposits in 2010 and 2011. Management considers that interest-rate risk exposure of the Group is insignificant and no sensitivity analysis is presented thereon.

(c) Credit risk

The carrying amounts of bank deposits, trade and notes receivables and other receivables included in the combined financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at December 31, 2010, 2011 and 2012, the Group's bank deposits that were placed in commercial banks of the PRC with minimum external rating of 'A' (as sourced from the rating provided by Moody and Standard & Poor) was 97.4%, 97.5% and 98.6%, respectively, of total cash in bank. The remaining deposits were placed in regional commercial banks. Management does not expect any losses arising from non-performance by any of the banks with which it has deposits.

Trade receivables are comprised of unpaid service fees from customers. Notes receivables are comprised of bank acceptance notes received from customers to settle trade receivables. These notes generally mature within three months and have little credit risk as they are guaranteed by the banks. Generally, the Group does not offer any credit terms on trade receivables and has adopted a policy of only dealing with creditworthy counterparties. Credit sales are made only from time to time to select customers with long-term business trading history. Based on past experience, the customer payment default rate is low. Therefore, the Group considers its trade and notes receivables to have no significant exposure to credit risk.

Other receivables primarily consist of deposit with media suppliers, advances to employees and other deposits, such as operating lease rental deposits. Deposit with media suppliers, whom are all reputable and creditworthy counterparties, comprised of 88.7%, 94.9% and 89.3% of other receivables as at December 31, 2010, 2011 and 2012. Advance to employees are granted to employees for company purposes arising from routine business transactions and are repayable upon demand. Based on management experience, probability of uncollection is low. Accordingly, credit risk on other receivables is determined to be low.

(d) Liquidity risk

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

The table below analyzes the Group's financial liabilities by relevant maturity groupings based on the remaining period at the end of each reporting period.

As at December 31, 2010:

	Within one month or on demand	Over one month but less than 3 months	Over 3 months	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	33,291	316	—	33,607
Other payables	2,902	—	—	2,902
Amount due to related parties	1,483	—	—	1,483
Total	37,676	316	—	37,992

As at December 31, 2011:

	Within one month or on demand	Over one month but less than 3 months	Over 3 months	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	83,819	1,341	—	85,160
Other payables	8,737	—	—	8,737
Amount due to related parties	1,396	—	—	1,396
Total	93,952	1,341	—	95,293

As at December 31, 2012:

	Within one month or on demand	Over one month but less than 3 months	Over 3 months	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	29,390	1,374	—	30,764
Other payables	13,042	—	—	13,042
Amount due to related parties	3,817	—	—	3,817
Total	46,249	1,374	—	47,623

4.2 Capital risk management

The Group manages the capital structure, primarily consisting of cash and cash equivalents and equity, and makes adjustments to it in light of changes in economic conditions. The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return on capital to shareholders, issue new shares or obtain bank borrowings.

The Group also monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as net debt divided by shareholder's equity. Net debt is calculated as total borrowings, including current and non-current borrowings as shown in the balance sheets, less cash and cash equivalents. Shareholders' equity comprises all components of equity as shown in the balance sheet. The Group's strategy is to maintain the debt-to-equity ratio at a reasonable level. As at December 31, 2010, 2011 and 2012, the Group's debt-to-equity ratio was nil as the Group did not have any borrowings.

Management consider that the Group's capital risk is minimal as the Group had cash and cash equivalents of approximately RMB44,371,199, RMB136,480,437 and RMB99,450,154 as at December 31, 2010, 2011 and 2012, respectively. The Group had no outstanding bank loans, overdrafts or other borrowings as at December 31, 2010, 2011 and 2012.

4.3 Fair value estimation

The table below analyzes financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

During the Relevant Periods, the Group did not have any financial assets or financial liabilities that were measured at fair value. The carrying amounts of the Group's current financial assets, including cash and cash equivalents, trade and notes receivables, prepayments and other current assets, other receivables and amounts due from related parties, and the Group's current financial liabilities including trade payables, advance from customers, tax payables, other payables, and amounts due to related parties, approximate their fair values due to their short maturities.

5. Segment Reporting

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 Chief Executive Officer considers the business from three operating segments: advertising services, event organization and related services and program production and related services.

The segment information provided to the Chief Executive Officer for the reportable segments for the year ended December 31, 2010 is as follows:

	Advertising services	Program production and related services	Event organization and related services	Headquarters (Unallocated)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	237,315	27,449	33,405	—	298,169
Cost of services	(178,415)	(15,970)	(7,324)	—	(201,709)
— Depreciation and amortization	(356)	(317)	(63)	—	(736)
Gross profit	58,900	11,479	26,081	—	96,460
Selling and distribution expenses				(8,968)	(8,968)
General and administrative expenses				(10,743)	(10,743)
Interest income				168	168
Finance costs				(19)	(19)
Other gain, net				344	344
Income tax expenses				(19,837)	(19,837)
Net income					57,405

The segment information provided to the Chief Executive Officer for the reportable segments for the year ended December 31, 2011 is as follows:

	Advertising services	Program production and related services	Event organization and related services	Headquarters (Unallocated)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	377,723	56,647	37,021	—	471,391
Cost of services	(289,125)	(34,243)	(2,844)	—	(326,212)
— Depreciation and amortization	(424)	(667)	(49)	—	(1,140)
Gross profit	88,598	22,404	34,177	—	145,179
Selling and distribution expenses				(15,869)	(15,869)
General and administrative expenses				(15,073)	(15,073)
Interest income				363	363
Finance costs				(22)	(22)
Other gain, net				69	69
Income tax expenses				(29,116)	(29,116)
Net income					85,531

The segment information provided to the Chief Executive Officer for the reportable segments for the year ended December 31, 2012 is as follows:

	Advertising services	Program production and related services	Event organization and related services	Headquarters (Unallocated)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	444,442	58,323	54,448	—	557,213
Cost of services	(295,326)	(25,918)	(19,006)	—	(340,250)
— Depreciation and amortization	(734)	(779)	(194)	—	(1,707)
Gross profit	149,116	32,405	35,442	—	216,963
Selling and distribution expenses				(19,221)	(19,221)
General and administrative expenses				(21,634)	(21,634)
Interest income				1,675	1,675
Finance costs				(30)	(30)
Other gain, net				51	51
Income tax expenses				(45,828)	(45,828)
Net income					131,976

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, 2012, the Group recognized revenue from one customer amounting to RMB67,758,111, which individually represent over 10% of the Group's total revenue. The revenue is attributable to the advertising segment.

For the years ended December 31, 2010 and 2011, no individual customer contributed over 10% to the Group's total revenue.

6. Other Gain, Net

	Year ended December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Government grants	345	70	65
Others	(1)	(1)	(14)
	344	69	51

7. Expenses by Nature

	Year ended December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Advertising time slots and other media costs	177,205	286,975	290,271
Program production related costs	14,836	30,984	21,109
Event organizing costs	7,083	2,603	17,561
Employee benefit expenses	6,987	14,186	21,372
Entertainment expenses	1,092	2,251	949
Operating lease rentals	835	1,999	3,500
General office expenses	5,058	8,418	10,620
Travelling expenses	2,938	3,798	5,450
Depreciation and amortization	2,821	3,730	4,449
Professional fees	1,438	743	1,954
Remuneration — audit fees	775	615	2,900
Promotion related expenses	352	852	970
Total	221,420	357,154	381,105

8. Employee Benefit Expenses

	Year ended December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Wages and salaries	5,420	10,856	16,206
Social welfare	1,337	2,585	4,897
Other staff welfare	230	745	269
Total employee benefit expenses	6,987	14,186	21,372

(a) Directors' and chief executive's emoluments

The nature of remuneration paid to executive directors for the Relevant Periods is set out below. For the Relevant Periods, all chief executives were also executive directors.

	Year ended December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Salaries and allowances	770	840	1,260
Social and other staff welfare costs	178	190	198
Total employee benefit expenses	948	1,030	1,458

The nature of remuneration paid to non-executive directors for the Relevant Periods is set out below:

	Year ended December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Directors' emoluments	—	135	180

The remuneration paid to every executive and non-executive director for the Relevant Periods is set out below:

	December 31, 2010	
Name of Directors	Salaries and allowances	Social welfare
	RMB'000	RMB'000
Ms. Ren(1)	330	60
Mr. Sheng(1)	220	59
Zhang Han(1)	220	59
	770	178

	December 31, 2011		
Name of Directors	Directors' fees	Salaries and allowances	Social welfare
	RMB'000	RMB'000	RMB'000
Ms. Ren(1)	—	360	64
Mr. Sheng(1)	—	240	63
Zhang Han(1)	—	240	63
Li Yaping(2)	45	—	—
Chen Lei(2)	45	—	—
Jin Guoqiang(2)	45	—	—
	135	840	190

	December 31, 2012		
Name of Directors	Directors' fees	Salaries and allowances	Social welfare
	RMB'000	RMB'000	RMB'000
Ms. Ren(1)	—	540	66
Mr. Sheng(1)	—	360	66
Zhang Han(1)	—	360	66
Li Yaping(2)	60	—	—
Chen Lei(2)	60	—	—
Jin Guoqiang(2)	60	—	—
	180	1,260	198

Notes:

(1) Executive director

(2) Non-executive director

For the years ended December 31, 2010, 2011 and 2012, no director waived or has agreed to waive any emoluments, and no director received emoluments from the Group as inducement to join or upon joining the Group, or as compensation for loss of office.

(b) Five highest paid employees

The five individuals whose emoluments were the highest in the Group for the years ended December 31, 2010, 2011 and 2012 included three executive directors in each of the respective year. The emoluments of these executive directors are reflected in the analysis presented above. The emoluments of the remaining two individuals during the Relevant Periods are as follows:

	Year ended December 31,		
	2010	**2011**	**2012**
	RMB'000	**RMB'000**	**RMB'000**
Salaries and allowances	396	608	960
Social welfare	82	102	66
	478	710	1,026

The number of highest paid non-director individuals whose emoluments for the Relevant Periods fell within the following bands:

	Year ended December 31,		
	2010	**2011**	**2012**
	RMB'000	**RMB'000**	**RMB'000**
RMB200,000 to RMB400,000	2	1	—
RMB400,001 to RMB600,000	—	1	2
	2	2	2

(c) Key management compensation

For the year ended December 31, 2012, key management personnel were determined to be the executive directors and Chief Financial Officer of the Group, whom have the responsibility for planning, directing and controlling the activities of the [●] Business.

For the years ended December 31, 2011 and 2010, key management personnel were determined to be the executive directors of the companies now comprising the Group, whose compensation arrangements are disclosed above.

The compensation paid or payable to key management for employee services for the year ended December 31, 2012 is shown below:

	Year ended December 31,
	2012
	RMB'000
Salaries and allowances	1,691
Social and other staff welfare costs	241
Total	1,932

9. Finance Income and Finance Costs

	Year ended December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Finance costs:			
— Bank charges	(19)	(22)	(30)
Finance income:			
— Interest income on short-term bank deposits	168	363	1,675
Finance income, net	149	341	1,645

10. 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,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Current	19,904	29,585	45,937
Deferred	(67)	(469)	(109)
Total tax charge for the year	19,837	29,116	45,828

	Year ended December 31,					
	2010		2011		2012	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax	77,242		114,647		177,804	
Tax at the statutory income tax rate	19,322	25.0	28,661	25.0	44,451	25.0
Expenses not deductible for tax purposes	515	0.7	407	0.4	1,237	0.7
Tax losses not recognized	—	—	48	0.0	140	0.1
Tax charge at the Group's effective rate	19,837	25.7	29,116	25.4	45,828	25.8

11. Property, Plant and Equipment

	Office premise	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2010					
Cost	28,257	1,814	6,341	—	36,412
Accumulated depreciation	—	(401)	(199)	—	(600)
Net carrying amount	28,257	1,413	6,142	—	35,812
Year ended December 31, 2010					
Opening net carrying amount	28,257	1,413	6,142	—	35,812
Additions	—	140	1,194	2,337	3,671
Depreciation charge	(1,258)	(77)	(1,237)	(237)	(2,809)
Closing net carrying amount	26,999	1,476	6,099	2,100	36,674
At December 31, 2010					
Cost	28,257	1,954	7,535	2,337	40,083
Accumulated depreciation	(1,258)	(478)	(1,436)	(237)	(3,409)
Net carrying amount	26,999	1,476	6,099	2,100	36,674
Year ended December 31, 2011					
Opening net carrying amount	26,999	1,476	6,099	2,100	36,674
Additions	26	813	2,090	1,404	4,333
Disposals	—	—	(16)	—	(16)
Depreciation charge	(1,259)	(232)	(1,606)	(524)	(3,621)
Closing net carrying amount	25,766	2,057	6,567	2,980	37,370
At December 31, 2011					
Cost	28,283	2,767	9,609	3,741	44,400
Accumulated depreciation	(2,517)	(710)	(3,042)	(761)	(7,030)
Net carrying amount	25,766	2,057	6,567	2,980	37,370
Year ended December 31, 2012					
Opening net carrying amount	25,766	2,057	6,567	2,980	37,370
Additions	—	1,139	1,413	310	2,862
Disposals	—	—	(52)	—	(52)
Depreciation charge	(1,258)	(108)	(1,977)	(727)	(4,070)
Closing net carrying amount	24,508	3,088	5,951	2,563	36,110
At December 31, 2012					
Cost	28,283	3,906	10,970	4,051	47,210
Accumulated depreciation	(3,775)	(818)	(5,019)	(1,488)	(11,100)
Net carrying amount	24,508	3,088	5,951	2,563	36,110

Depreciation expenses charged to the combined statements of comprehensive income for each of the years ended December 31, 2010, 2011 and 2012 amounted to RMB2,808,755, RMB3,629,736, and RMB4,083,375, respectively.

There was no property, plant and equipment of the Group pledged as security for bank borrowing as at December 31, 2010, 2011 and 2012.

12. Intangible Assets

	Operating right	Software	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2010			
Cost	—	17	17
Accumulated amortization	—	(1)	(1)
Net carrying amount	—	16	16
Year ended December 31, 2010			
Opening net carrying amount	—	16	16
Additions	—	203	203
Amortization charge	—	(12)	(12)
Closing net carrying amount	—	207	207
At December 31, 2010			
Cost	—	220	220
Accumulated amortization	—	(13)	(13)
Net carrying amount	—	207	207
Year ended December 31, 2011			
Opening net carrying amount	—	207	207
Additions	—	360	360
Amortization charge	—	(100)	(100)
Closing net carrying amount	—	467	467
At December 31, 2011			
Cost	—	580	580
Accumulated amortization	—	(113)	(113)
Net carrying amount	—	467	467
Year ended December 31, 2012			
Opening net carrying amount	—	467	467
Additions	2,500	—	2,500
Amortization charge	(250)	(115)	(365)
Closing net carrying amount	2,250	352	2,602
At December 31, 2012			
Cost	2,500	580	3,080
Accumulated amortization	(250)	(228)	(478)
Net carrying amount	2,250	352	2,602

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

Amortization expenses charged to the combined statements of comprehensive income for each of the years ended December 31, 2010, 2011 and 2012 amounted to RMB11,986, RMB100,370, and RMB365,660, respectively.

13. Capitalized Program Costs

	As at December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Completed programs	—	—	4,156
Programs in production	—	—	519
Total	—	—	4,675

14. Trade and Notes Receivables

	As at December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Trade receivables	22,260	33,115	112,304
Notes receivables	—	—	15,005
Total	22,260	33,115	127,309

The aging analysis of the above trade and notes receivables, which are past due but not impaired, are as follows:

	As at December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Within 1 month	10,235	20,257	45,366
1 to 3 months	6,315	9,690	46,467
4 to 6 months	4,633	479	22,332
6 to 12 months	797	2,569	12,580
Over 12 months	280	120	564
	22,260	33,115	127,309

As of April 30, 2013, the Group collected RMB66,196,676 of its December 31, 2012 trade receivables balance from its customers. In addition, the Group also settled its notes receivables amounting to RMB15,005,200.

As at December 31, 2012 trade receivables of RMB60,000, related to one customer, was impaired and written-off. Apart from this write-off of RMB60,000, as at December 31, 2010 and 2011, no provisions or write-offs were recorded for trade receivables as management assessed that the receivables could be recovered.

15. Other Receivables

	As at December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Deposits with media companies	60,070	64,491	50,984
Advance to employees	6,148	3,291	4,435
Lease and other deposits	—	—	1,199
Events-related deposits	—	—	324
Others	1,499	208	168
Total	67,717	67,990	57,110

No provisions or write-offs was recorded for other receivables for the year ended December 31, 2010, 2011 and 2012.

16. Prepayments and Other Current Assets

	As at December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Prepayment for advertising time slots	41,530	29,085	35,732
Prepaid membership fee	—	—	1,456
Prepaid rent and property management fees	—	—	457
[●] service fees	—	—	4,357
Others	293	407	500
Total	41,823	29,492	42,502

17. Cash and Cash Equivalents

	As at December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Cash on hand	66	167	65
Cash in bank	44,305	136,313	99,385
	44,371	136,480	99,450

18. Share Capital and Share Premium

	Share Capital	Share premium	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2012	—	—	—
Issuance of shares	63	3,141	3,204
At December 31, 2012	63	3,141	3,204

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 RMB 3,141,493).

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 become US$10,000 divided into 40,000,000 ordinary shares with a nominal value of US$0.00025 each.

19. Reserves

	Statutory reserves	Other reserves	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2010(1)	2,746	73,524	76,270
Issuance of ordinary shares upon Beijing Wisdom Media becoming a joint stock company(2)	—	8,628	8,628
Statutory reserves appropriation(3)	6,961	—	6,961
At December 31, 2010	9,707	82,152	91,859
Statutory reserves appropriation(3)	6,457	—	6,457
At December 31, 2011	16,164	82,152	98,316
Statutory reserves appropriation(3)	7,533	—	7,533
Foreign currency translation adjustment	—	33	33
At December 31, 2012	23,697	82,185	105,882

Notes:

(1) The beginning balance of other reserve represents the combined paid-in capital of the companies and business now comprising the Group after eliminating intra-group investments.

(2) In March 2010, Beijing Wisdom Media was restructured to a joint-stock company and increased its share capital to RMB60,000,000. Upon this reorganization, RMB8,627,677 was transferred from retained earnings to Beijing Wisdom Media's share capital.

(3) 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.

20. Trade Payables

Trade payables are comprised of 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,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Within 1 months	26,009	32,277	7,441
1 to 3 months	6,178	37,451	1,221
4 to 6 months	511	13,558	2,711
Over 6 months	909	1,874	19,391
	33,607	85,160	30,764

21. Other Payables

	As at December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Payroll	587	2,460	2,428
Dividend	—	4,000	5,000
[●] service fees	—	—	4,306
Others	2,315	2,277	1,308
	2,902	8,737	13,042

22. Tax Payables

	As at December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Business tax	993	(143)	304
Income tax	7,526	6,346	21,134
Value added tax	—	—	4,139
Other tax	834	(546)	2,599
	9,353	5,657	28,176

23. Deferred Income Tax Assets

The analysis of deferred tax assets is as follows:

	As at December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Deferred tax assets:			
Deferred tax asset to be recovered within 12 months	143	612	721
	143	612	721

The gross movement on the deferred income tax account is as follows:

	Total
	RMB'000
At January 1, 2010	76
Deferred tax charged to the combined income statement during the year (Note 10)	67
At December 31, 2010	143
Deferred tax charged to the combined income statement during the year (Note 10)	469
At December 31, 2011	612
Deferred tax charged to the combined income statement during the year (Note 10)	109
At December 31, 2012	721

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As at December 31, 2012, the Group did not recognize deferred income tax assets of RMB30,187 in respect of losses amounting to RMB570,357 that can be carried forward against future taxable income. Losses amounting to RMB570,357 expire in 2017.

The Group did not have any unrecognized tax losses as at December 31, 2010 and 2011.

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

The Group did not recognize the deferred tax liabilities related to dividend distribution withholding tax as at December 31, 2012 as the Directors of the Company had confirmed that retained earnings up to December 31, 2012 of the Company's PRC subsidiaries will not be distributed to the Company or any of its subsidiaries in the foreseeable future. The Group did not recognize the deferred tax liabilities related to dividend distribution withholding tax as at December 31, 2010 and 2011 as the Group was solely comprised of Beijing Wisdom Media and its subsidiaries, which are not registered as PRC foreign invested enterprises.

As at December 31, 2010, 2011 and 2012, the retained earnings of the Company's PRC subsidiaries amounted to RMB60,334,678, RMB99,486,288 and RMB174,295,560, respectively. If the Company were to distributed all of its PRC subsidiaries' retained earnings to the Company, maximum deferred tax liabilities of 10% amounting to RMB6,033,468, RMB9,948,629 and RMB17,429,556 would need to be recognized as at December 31, 2010, 2011 and 2012, respectively.

24. Dividends

No dividend has been paid or declared by the Company since its incorporation.

Dividends during each of the years ended December 31, 2010, 2011 and 2012 represented dividends declared by the companies now comprising the Group to the then-existing shareholders of the companies for each of the years ended December 31, 2010, 2011 and 2012, after elimination of intra-group dividends. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

In January 2010, February 2011 and July 2012, Beijing Wisdom Media declared dividends amounting to RMB18,000,000, RMB40,000,000 and RMB50,000,000, respectively. No dividends were declared by any other entities or for any other periods presented.

The aggregate amounts of the dividends declared for the year ended December 31, 2010, 2011 and 2012 have been disclosed in the combined statements of comprehensive income in accordance with the Hong Kong Companies Ordinance.

25. Earnings Per Share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the group reorganization and the preparation of the results for each of the years ended December 31, 2010, 2011 and 2012 on a combined basis as disclosed in Note 1.3 above.

26. Disposal of Equity Interest in a Subsidiary

On November 26, 2012, Beijing Xinchuang Branding Co., Ltd. ("Xinchuang Branding"), a subsidiary of Beijing Wisdom Media, disposed its entire equity interest of 51% held in Beijing Xinchuang Interaction Advertising Co., Ltd. ("Xinchuang Interaction") to the non-controlling interest. Total cash consideration received from the disposal was RMB507,955.

The carrying value of Xinchuang Interaction on the date of disposal was RMB996,812, of which RMB508,374 was held by Xinchuang Branding prior to the disposal. The effect of disposal of Xinchuang Interaction on the equity attributable to the owners of the Company during the year ended December 31, 2012 is summarized as follows:

	2012
	RMB'000
Carrying value of Group's interest disposed of	(508)
Consideration received from non-controlling interest	508
Gain/(loss) upon disposal	—

27. Contingencies

The Group has no contingent liabilities in respect of legal claims arising in the ordinary course of business.

28. Commitments

(a) Operating lease commitments — Group as lessee

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

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

	As at December 31,		
	2010	**2011**	**2012**
	RMB'000	**RMB'000**	**RMB'000**
Within one year	677	836	3,473
In the second to fifth years, inclusive	—	13	4,105
After five years	—	—	—
	677	849	7,578

(b) Other commitments

In July 2012, Zhejiang Wisdom Sports entered into an agreement to obtain the operation rights related to a sports event for a fixed payment from 2012 to 2016. Total aggregate consideration for the five years event operation rights was approximately RMB7,361,076. Upon expiration of this agreement, Zhejiang Wisdom Sports has the option to extend the event rights for an additional five years.

For the year ended December 31, 2012, the Group recorded RMB1,330,816 under this agreement in its cost of services. The future payment commitments under the aforementioned agreement are as follows:

	2012
	RMB'000
2013	1,414
2014	1,456
2015	1,539
2016	1,621
Total	6,030

29. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The following transactions were carried out with related parties during the Relevant Periods:

(a) Transaction related to 2009 Investment Agreement

In December 2009, Beijing Wisdom Media and its then-shareholders entered into an agreement (the "2009 Investment Agreement") with new investors pursuant to which the new investors acquired 10% equity interest of Beijing Wisdom Media. Under the 2009 Investment Agreement, the then-existing shareholders of Beijing Wisdom Media agreed to re-acquire the investment from the new investors at principle plus 8% annual interest if Beijing Wisdom Media does not meet certain performance conditions, including completing an [●] by December 31, 2014 (see Document section titled *History and Reorganization — Our Operating Entities in the PRC Controlled Through the Structured Contracts — Beijing Wisdom Media*). Under a separate clause of the same agreement, the Controlling Shareholder pledged to provide cash compensation to the new investors of Beijing Wisdom Media if Beijing Wisdom Media does not achieve certain net income targets for the year ended December 31, 2009 and 2010. Subsequently, Beijing Wisdom Media achieved the net income targets for the year ended December 31, 2009 and 2010. As the agreement was among shareholders and did not result in any liabilities or risks for the Group, they did not have any accounting impact on the Group's combined Financial Information.

(b) Revenue and cost of services transactions with related parties

	Year ended December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Revenue earned from an entity significantly influenced by a close family member of a management personnel	9,397	—	—
Cost of services paid to an entity controlled by a shareholder	1,417	1,000	278

Revenue earned from an entity significantly influenced by a close family member of a management personnel consist of revenues earned from providing advertising services in August 2010.

Cost of services paid to an entity controlled by a shareholder consists of fees paid to obtain magazine advertisement space.

(c) Amounts due from related parties

	As at December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Advance to shareholders and key employees	2,301	473	113
Trade receivables from a entity significantly influenced by a close family member of a management personnel	3,220	—	—
	5,521	473	113

Advance to shareholders and key employees are comprised of cash advances to employees whom are also shareholders or key management of the Company. These employee advances were to be used for the purchase of supplies and equipment related to the Group's program production, event organization and related services. The receivables are unsecure in nature and bear no interest. No provisions are held against the advance to shareholders and key employees.

Trade receivables from an entity significantly influenced by a close family member of a management personnel consist of trade receivables from a related party customer for advertising services provided in August 2010 (see Note 29(b)). The balance was settled in February 2011.

The Group plans to settle all amounts due from related parties before [●].

(d) Amounts due to related parties

	As at December 31,		
	2010	**2011**	**2012**
	RMB'000	**RMB'000**	**RMB'000**
Loan from Controlling Shareholder	1,091	1,004	642
Loan from other shareholder	—	—	2,505
Service fees due to an entity controlled by a shareholder	392	392	670
	1,483	1,396	3,817

Loan from Controlling Shareholder consist of loan for advertising time slot deposits. This loan is non-interest bearing.

Loan from other shareholder consist of a loan for business expansion purposes. This loan is non-interest bearing and payable upon demand.

Amounts due from an entity controlled by a shareholder consist of fees payable to obtain magazine advertisement space (see Note 29(b)).

The Group plans to settle all amounts due to related parties before [●].

(e) Key management compensation

Details of key management compensations are disclosed in Note 8(c) above.

30. Events after the Balance Sheet Date

Save as disclosed elsewhere in this report, the following significant events took place subsequent to December 31, 2012:

(a) In March 2013, Zhejiang Wisdom Advertising acquired the exclusive rights to advertising time slots for "News Weekly", "World Weekly", "World Express", "Oriental Horizon" and "Treasure Hunt" from CCTV for January 1, 2013 to December 31, 2013.

(b) On May 21, 2013, Beijing Wisdom Media declared dividend amounting to RMB80,000,000 to its then shareholders and out of the RMB80,000,000, RMB72,000,000 has been paid.

(c) As described in Note 18 above, each issued and unissued ordinary share of the Company was subdivided in accordance with shareholders' resolution effective June 14, 2013.

(d) On June 24, 2013, Wisdom Culture entered into the Structured Contracts with Beijing Wisdom Media and its direct shareholders (see Note 1.2 above). Accordingly, Beijing Wisdom Media will effectively become an indirect subsidiary of the Company, and going forward, the Group will consolidate the financial results of Beijing Wisdom Media and its subsidiaries.

Section III Subsequent financial statements

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2012 up to the date of this report. Save as disclosed in this report, no other dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2012.

Yours faithfully,
[**PricewaterhouseCoopers**]
Certified Public Accountants
Hong Kong

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on March 21, 2012 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on June 14, 2013. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one

(21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three

(3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from May 14, 2013.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court; or voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on March 21, 2012. Our Company has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance on June 10, 2013 and our principal place of business in Hong Kong is at 13th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong. King & Wood Mallesons has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, we are subject to the relevant laws of the Cayman Islands and our constitution which comprises the Memorandum of Association and the Articles of Association. A summary of the relevant aspects of the Cayman Companies Law and certain provisions of the Articles of Association is set out in Appendix III to this document.

2. Changes in share capital of our Company

(a) As at the date of incorporation of our Company, our authorised share capital was US$50,000 divided into 50,000 shares of US$1.00 each.

(b) On June 14, 2013, our Shareholders resolved to approve, among other things, the subdivision of each issued and unissued ordinary share of US$1.00 each in the capital of our Company to 4,000 shares of US$0.00025 each.

(c) On June 14, 2013, our Shareholders resolved to increase the authorised share capital of our Company from US$50,000 to US$1,000,000 by the creation of an additional 3,800,000,000 Shares, each ranking pari passu with our Shares then in issue in all respects.

(d) Other than the general mandate to issue Shares referred to in the paragraph headed "Written resolutions of our Shareholders passed on June 14, 2013" in this Appendix and pursuant to the Share Option Scheme, we do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

(e) Save as disclosed above, there has been no alteration in our Company's share capital since its incorporation.

4. Corporate Reorganisation

Please refer to "History and Reorganization" in this document.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountant's Report, the text of which is set out in Appendix I to this document. Save as described above and in "History and Reorganization" in this document, there has been no other alteration in the share capital of the subsidiaries of our Company within the two years preceding the date of this document.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

(a) an investment agreement dated July 3, 2012 between Guan Xin Investments Limited, Merits Gain Investments Ltd., Ren Guozun (任國尊), Shi Libin (史立斌), Sheng Jie (盛杰), Wang Jianchang (王建昌), Li Zhihua (李志華), Peng Xiaoguang (彭曉光), Shen Guirong (沈貴榮), Cao Yi (曹怡), Wang Zhiqiang (王志強), Guo Ruilin (郭瑞林), Chen Feihua (陳飛華), Dai Peng (戴鵬), Sun Fulin (孫福麟), Zhang Han (張晗), Qin Ying (秦鷹), Chen Li (陳力), Chen Bin (陳斌) and our Company, pursuant to which our Company issued 100 Shares to each of Guan Xin Investments Limited and Merits Gain Investments Ltd. at US$2,500 per Share;

(b) the exclusive consulting and service agreement dated June 24, 2013 between Wisdom Culture and Beijing Wisdom Media, details of which are set out in the paragraph headed "Structured Contracts" under the section headed "History and Reorganization" in this document;

(c) the exclusive business operating agreement dated June 24, 2013 between Wisdom Culture, Beijing Wisdom Media and the shareholders of Beijing Wisdom Media*(note)*, details of which are set out in the paragraph headed "Structured Contracts" under the section headed "History and Reorganization" in this document;

(d) the share pledge agreement dated June 24, 2013 between Wisdom Culture and the shareholders of Beijing Wisdom Media*(note)*, details of which are set out in the paragraph headed "Structured Contracts" under the section headed "History and Reorganization" in this document;

(e) the exclusive option agreement dated June 24, 2013 between Wisdom Culture, Beijing Wisdom Media and the shareholders of Beijing Wisdom Media*(note)*, details of which are set out in the paragraph headed "Structured Contracts" under the section headed "History and Reorganization" in this document;

(f) the power of attorney dated June 24, 2013 executed by the shareholders of Beijing Wisdom Media*(note)* in favour of our Company and the Directors of our Company, details of which are set out in the paragraph headed "Structured Contracts" under the section headed "History and Reorganization" in this document;

(g) a deed of non-competition undertaking dated June 24, 2013 executed by Ms. Ren and Queen Media in favour of our Company, details of which are set out in the paragraph headed "Deed of Non-Competition" under the section headed "Relationship with Controlling Shareholders" in this document; and

(h) a deed of indemnity dated June 24, 2013 executed by Ms. Ren and Queen Media in favour of our Group containing the indemnities referred to in the paragraph headed "E. Other information — 1. Tax and other indemnities" in this Appendix.

Note:

Namely Ren Guozun (任國尊), Shi Libin (史立斌), Sheng Jie (盛杰), Cao Yi (曹怡), Shen Guirong (沈貴榮), Wang Zhiqiang (王志強), Wang Jianchang (王建昌), Peng Xiaoguang (彭曉光), Li Zhihua (李志華), Guo Ruilin (郭瑞林), Gong Tai (龔泰), Chen Feihua (陳飛華), Qin Ying (秦鷹), Chen Li (陳力), Sun Fulin (孫福麟), Sun Jingli (孫京麗), Dai Peng (戴鵬), Zhang Han (張晗), Han Fang (韓芳), Xi Wang (希望), Chen Bin (陳斌), Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司) and Beijing Hongtu Jiahui Venture Investment Co., Ltd (北京紅土嘉輝創業投資有限公司).

2. Intellectual Property Rights

(a) Trademarks

As at the Latest Practicable Date, our Group was the owner of the following trademarks registered with the relevant authorities in respect of the class of goods and services specified below:

Trademark	Class	Place of registration	Owner	Application number	Date
智美车文	28	PRC	Beijing Wisdom Media	7955158	2010.12.28 – 2020.12.27
智美车文	42	PRC	Beijing Wisdom Media	7958683	2011.1.28 – 2021.1.27
智美车文	41	PRC	Beijing Wisdom Media	7958656	2011.1.28 – 2021.1.27
智美车文	39	PRC	Beijing Wisdom Media	7958587	2011.1.28 – 2021.1.27
智美车文	16	PRC	Beijing Wisdom Media	7955098	2011.2.28 – 2021.2.27
智美车文	4	PRC	Beijing Wisdom Media	7954908	2011.1.28 – 2021.1.27
智美车文	35	PRC	Beijing Wisdom Media	7958223	2011.2.28 – 2021.2.27
智美车文	7	PRC	Beijing Wisdom Media	7954977	2011.2.21 – 2021.2.20
智美车文	12	PRC	Beijing Wisdom Media	7955065	2011.2.21 – 2021.2.20
智美车文	36	PRC	Beijing Wisdom Media	7958329	2011.3.21 – 2021.3.20
智美车文	37	PRC	Beijing Wisdom Media	7958434	2011.3.21 – 2021.3.20
智美车文	38	PRC	Beijing Wisdom Media	7958512	2011.3.21 – 2021.3.20
智美车文	40	PRC	Beijing Wisdom Media	7958620	2011.3.21 – 2021.3.20
智美车文	9	PRC	Beijing Wisdom Media	7955028	2011.3.7 – 2021.3.6

Trademark	Class	Place of registration	Owner	Application number	Date
智美车文	18	PRC	Beijing Wisdom Media	7955120	2010.12.28 – 2020.12.27
智美车文	25	PRC	Beijing Wisdom Media	7955138	2010.12.28 – 2020.12.27
名车高速路	16	PRC	Beijing Wisdom Media	7251301	2010.11.28 – 2020.11.27

As at the Latest Practicable Date, our Group has applied for registration of the following trademarks with the relevant authorities in respect of the class of goods and services specified below the registration of which has not yet been granted:

Trademark	Class	Place of registration	Owner	Application number	Date
WISDOM GROUP 智美中国	12, 15, 20, 25, 28, 35, 36, 41	Hong Kong	the Company	302334221	August 2, 2012
WISDOM GROUP 智美中国	35	PRC	Beijing Wisdom Media	11383149	August 22, 2012
WISDOM GROUP 智美集团	35	PRC	Beijing Wisdom Media	11383148	August 22, 2012

(b) Domain names

As at the Latest Practicable Date, our Group is the owner of the following domain names which are or may be material to the business of our Group:

Registered owner	Domain name	Expiry date
Beijing Wisdom Media	Wisdom-china.cn	July 5, 2014
Beijing Wisdom Media	Luckygo.com.cn	May 15, 2014

3. Information about the PRC subsidiaries of our Group

Name:	上海智真尚成文化傳播有限公司 Shanghai Zhizhen Media Co., Ltd
Date of establishment:	July 10, 2007
Corporate nature:	Limited liability company
Total registered capital:	RMB 500,000.00
Term:	10 years

Scope of business:	Design, production, acting and publishment of advertisements; enterprise image design; marketing strategy; communication of arts and culture (excluding intermediary service); conferences and exhibitions service; consultation of business information; sale of advertising equipment, handicraft articles and household articles.
Legal representative:	Mr. Sheng Jie
Director:	Mr. Sheng Jie

Name:	**北京智美車文廣告有限公司** **Beijing Car Culture Advertising Co., Ltd**
Date of establishment:	August 25, 2010
Corporate nature:	Limited liability company
Total registered capital:	RMB 5,000,000.00
Term:	20 years
Scope of business:	Business with Permit: None General business: design, production, acting and publishment of advertisements; exhibitions service; consultation of enterprise administration; consultation of investments; consultation of economic and trade; education consultation (excluding study abroad advice and intermediary service); organization of communicating culture and arts (excluding performance); market research; enterprise planning; computer animation design; arts and crafts design.
Legal representative:	Mr. Zhang Han
Director:	Ms. Ren Guozun

Name:	**廣州騏步文化傳播有限公司** **Guangzhou Qibu Media Co., Ltd**
Date of establishment:	December 24, 2009
Corporate nature:	Limited liability company
Total registered capital:	RMB 3,000,000.00
Term:	unlimited
Scope of business:	Organization of communicating culture and arts (excluding performance); entertainment planning; computer graphic design; webpage design; design, production, acting and publishment of advertisements; consultation of economic and trade; conferences and exhibitions service; translation.
Legal representative:	Mr. Zhang Han
Director:	Mr. Zhang Han

Name:	**北京新創智力品牌管理有限公司** **Beijing Xinchuang Branding Co., Ltd**
Date of establishment:	January 25, 2011
Corporate nature:	Limited liability company
Total registered capital:	RMB1,000,000.00
Term:	20 years
Scope of business:	Business with Permit: None General business: consultation of economic information; enterprise administration; computer animation design; photography, enlarging and printing of photos; organization of communicating culture and arts; design, production, acting and publishment of advertisements; exhibitions and conferences service; market research.
Legal representative:	Mr. Li Chao
Director:	Mr. Li Chao

Name:	**北京智美領航體育文化有限公司** **Beijing Wisdom Leadership Sports Culture Co., Ltd**
Date of establishment:	January 25, 2011
Corporate nature:	Limited liability company
Total registered capital:	RMB1,000,000.00
Term:	20 years
Scope of business:	Business with Permit: None General business: organization of communicating culture and arts; operation of sports events; technical promotion services; undertaking exhibitions and displays; design, production, acting and publishment of advertisements; enterprise planning; entertainment planning; market research; consultation of economic information; sale of apparel; sports equipment, cultural goods and works of art.
Legal representative:	Ms. Ren Guozun
Director:	Ms. Ren Guozun

Name:	**北京智美傳媒股份有限公司** **Beijing Wisdom Media Limited**
Date of establishment:	December 12, 2006
Corporate nature:	Joint stock limited company
Total registered capital:	RMB60,000,000.00

Term:	Unlimited
Scope of business:	Business with Permit: production and publication of animations, variety shows and special topic films. General business: organization of communicating culture and arts (excluding performance); design, production, acting and publishment of advertisements; entertainment planning; computer graphic design; webpage design; consultation of economic information; conferences and exhibitions service; translation.
Legal representative:	Ms. Ren Guozun
Directors:	Ms. Ren Guozun, Mr. Sheng Jie, Mr. Zhang Han, Mr. Liu Gang (note), Mr. Jin Guoqiang

Note:

Mr. Liu Gang has worked with Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司) since April 2006 and has served as the general manager of its Northern China and Beijing branches. He has been a director of Beijing Wisdom Media since May 2010. Mr. Liu has obtained a master of business administration degree from the Renmin University of China (中國人民大學) in January 2000.

Name:	**浙江智美車文廣告有限公司** **Zhejiang Wisdom Car Culture Advertising Co., Ltd.**
Date of establishment:	August 3, 2012
Corporate nature:	Limited liability company
Total registered capital:	RMB10,000,000.00
Term:	20 years
Scope of business:	Licensed business item: None General business items: Design, production, agency, advertisement publishing, exhibition services; corporate management consulting; investment consulting; economic and trade consulting; education consulting (excluding overseas education consulting and agency services); organizational culture and art exchange activities (excluding performance); marketing research (preparatory works only); corporate planning; computer animation design; designs of arts and crafts (the above businesses exclude those prohibited or restricted by laws and regulations of the PRC as well as licensed business items)
Legal representative:	Mr. Zhang Han
Director	Mr. Zhang Han

Name:	浙江維世德體育文化有限公司 Zhejiang Wisdom Sports Culture Co., Ltd.
Date of establishment:	August 3, 2012
Corporate nature:	Limited liability company
Total registered capital:	RMB10,000,000.00
Term:	20 years
Scope of business:	Licensed business item: None General business items: Organizational culture and art exchange activities (excluding performance); operation of sports events; technology promotion services; undertaking exhibition and display; design, production, acting and publishment of advertisements, corporate planning; entertainment planning; marketing research (preparatory works only); economic and trade consulting; sales of apparel, sporting goods, cultural goods and works of art (the above businesses exclude those prohibited or restricted by laws and regulations of the PRC as well as licensed business items)
Legal representative:	Mr. Ye Jianhua
Director	Mr. Ye Jianhua

Name:	北京維世德文化有限公司 Beijing Wisdom Culture Co., Ltd.
Date of establishment:	July 6, 2012
Corporate nature:	Limited liability company
Total registered capital:	US$500,000.00
Term:	30 years
Scope of business:	Licensed business item: None General business items: Organizational culture and art exchange activities (excluding performance); cultural exchange planning; commercial information consulting; economic and trade consulting; corporate management consulting; corporate planning; translation services; cultural exchange in sports; wholesale of apparel and accessories, sporting goods, cultural goods, arts and crafts.
Legal representative:	Ms. Ren Guozun
Director:	Ms. Ren Guozun

Name:	浙江維世德廣告有限公司 Zhejiang Wisdom Advertising Co., Ltd
Date of establishment:	April 3, 2013
Corporate nature:	Limited liability company
Total registered capital:	RMB10,000,000.00
Term:	20 years
Scope of business:	Business with Permit: None General business: design, production, acting and publishment of advertisements; organization of communicating culture and arts (excluding performance); exhibitions service; consultation of enterprise administration; consultation of investments (excluding securities and futures); consultation of economic and trade; enterprise planning; computer animation design; arts and crafts design (the above businesses exclude those prohibited or restricted by laws and regulations of the PRC as well as licensed business items).
Legal representative:	Mr. Xue Zhentian
Director:	Mr. Xue Zhentian

2. Particulars of service agreements

No Director has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' remuneration

(a) The aggregate amount of remuneration paid to our Directors by our Group in respect of the three years ended December 31, 2012 were approximately RMB0.9 million, RMB1.2 million and RMB1.6 million, respectively.

(b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending December 31, 2013 will be approximately RMB1,710,084.

(c) Under the arrangements currently proposed, conditional upon [●], the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

Executive Directors	
Ms. Ren Guozun	RMB606,000
Mr. Sheng Jie	RMB426,000
Mr. Zhang Han	RMB426,000
Non-executive Directors	
Mr. Jin Haitao	HK$60,000
Mr. Wang Shihong	HK$60,000
Mr. Xu Jiongwei	HK$60,000
Independent non-executive Directors	
Mr. Wei Kevin Cheng	HK$240,000
Mr. Ip Kwok On Sammy	HK$60,000
Mr. Jin Guoqiang	HK$60,000

5. Related party transactions

Details of the related party transactions are set out under Note 29 to the Accountant's Report set out in Appendix I to this document.

6. Disclaimers

(a) There are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group.

(b) None of our Directors or the experts named in the paragraph headed "Consents of experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

(c) None of our Directors or the experts named in the paragraph headed "Consents of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole.

(f) So far as is known to our Directors, none of our Directors, their respective associates (as defined under the [●]) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME

(a) Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

"Adoption Date"	June 14, 2013, the date on which the Share Option Scheme is conditionally adopted by the Shareholders by way of written resolution
"Board"	the board of Directors or a duly authorised committee of the board of Directors
"Group"	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
"Scheme Period"	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof

(b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on June 14, 2013. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the [●].

(i) *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(ii) *Who may join and basis of eligibility*

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or advisor of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(iii) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the [●]'s daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of our Shares as stated in the [●]'s daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided always that for the purpose of calculating the subscription price, where our Company has been listed on the [●] for less than five Business Days, the new issue price shall be used as the closing price for any Business Day fallen within the period before [●].

(iv) *Grant of options and acceptance of offers*

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK$1.00.

(v) *Maximum number of Shares*

(aa) Subject to sub-paragraphs (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the [●]. Therefore, it is expected that our Company may grant options in respect of up to 160,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 160,000,000 Shares from time to time) to the participants under the Share Option Scheme.

(bb) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the [●] in this regard.

(cc) Our Company may seek separate approval by the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the [●].

(dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of our

Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(vi) *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting. In such event, our Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) *Grant of options to certain connected persons*

(aa) Any grant of an option to a Director, chief executive or substantial shareholder of our Company (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).

(bb) Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:

(i) representing in aggregate over 0.1% of our Shares in issue; and

(ii) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK$5 million,

such further grant of options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required in this regard. All connected persons of our Company shall abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) *Restrictions on the times of grant of options*

(aa) Our Company may not grant any options after inside information has come to its knowledge until it has announced the information. In particular, our Company may not grant any option during the period commencing one month immediately before the earlier of:

(i) the date of the Board meeting (such date to first be notified to the [●]) for approving our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the [●]); and

(ii) the deadline for our Company to announce the results for any year, or half-year under the [●], or quarterly or other interim period (whether or not required under the [●]).

(bb) Further to the restrictions in paragraph (aa) above, no option may be granted to a Director on any day on which financial results of our Company are published:

(i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) *Performance targets*

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) *Ranking of Shares*

Our Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles of Association for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that our Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) *Rights are personal to grantee*

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) *Rights on cessation of employment by death*

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) *Rights on cessation of employment by dismissal*

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offense involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(xv) *Rights on cessation of employment for other reasons*

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment (which date will be the last actual working day, on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(xvi) *Effects of alterations to share capital*

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalization of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial advisor to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the [●], or any guideline or supplemental guideline issued by the [●] from time to time (no such certification or confirmation is required in case of adjustment made on a [●]), provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvii) *Rights on a general offer*

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all the Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/ or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(xviii) *Rights on winding-up*

In the event a notice is given by our Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xix) *Rights on compromise or arrangement*

In the event of a compromise or arrangement between our Company and the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Cayman Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement ("Suspension Date"), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapsed and determined. The

Board shall endeavor to procure that our Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or willful default on the part of our Company or any of its officers.

(xx) *Lapse of options*

An option shall lapse automatically on the earliest of:

(aa) the expiry of the period referred to in paragraph (ix) above;

(bb) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);

(cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xv), (xvii), (xviii) or (xix) above;

(dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;

(ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;

(ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or

(gg) subject to the compromise or arrangement as referred to in paragraph (xix) becoming effective, the date on which such compromise or arrangement becomes effective.

(xxi) *Cancellation of options granted but not yet exercised*

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in a manner that complies with all applicable legal requirements for such cancellation.

(xxii) *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

(xxiii) *Alteration to the Share Option Scheme*

(aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by [●] shall not be made except with the prior approval of the Shareholders in general meeting.

(bb) Any amendment to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of [●].

(xxiv) *Termination to the Share Option Scheme*

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

As at the date of this document, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Ms. Ren and Queen Media, (the "Indemnifiers") have, under a deed of indemnity referred to in paragraph (h) of the sub-section headed "Summary of material contracts" in this Appendix, given joint and several indemnities to our Company for itself and as trustee for our subsidiaries in connection with, among other things, (a) any liability for Hong Kong estate duty which might be payable by any member of our Group under or by virtue of the provisions of Section 35 and Section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any other similar legislation in any relevant jurisdiction outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the [●]; (b) any taxation which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which [●]; or (ii) in respect or in consequence of any act, omission or event occurring or deemed to occur on or before the date on which the [●]; and (c) any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the [●] and not disclosed in this document. The Indemnifiers will, however, not be liable under the deed of indemnity for taxation to the extent that, among others:

(a) specific provision, reserve or allowance has been made for such taxation liability in the audited combined financial statements of any member of our Group for the three years ended December 31, 2012; or

(b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the [●]; or

(c) the taxation liability arises in the ordinary course of business of our Group after December 31, 2012 up to and including the date on which the [●].

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands or the PRC is likely to fall on our Group.

2. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately RMB37,700 and are payable by our Company.

5. Promoter

Our Company has no promoter.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualifications
King & Wood Mallesons	Legal advisers on PRC laws
PricewaterhouseCoopers	Certified Public Accountants
Conyers Dill & Pearman (Cayman) Limited	Legal advisers on Cayman laws

7. Consents of experts

Each of [●], King & Wood Mallesons, PricewaterhouseCoopers and Conyers Dill & Pearman (Cayman) Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion of its reports and/or letter and/or opinion and/or valuation certificate and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

10. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial or trading position or prospects of our Group since December 31, 2012 (being the date to which the latest audited combined financial statements of our Group were made up) and up to the date of this document.

11. Miscellaneous

(a) Within the two years immediately preceding the date of this document:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash;

(ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries;

(iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any of our Shares or shares of any of our subsidiaries; and

(iv) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(b) Neither our Company nor any of our subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.

(e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this document.

(g) We have no outstanding convertible debt securities.

(h) Our Directors have been advised that, under the laws of the Cayman Islands, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with our English name does not contravene the laws of the Cayman Islands.