The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited combined financial statements, including the notes thereto, as set forth in the Accountant's Report included as Appendix I to this prospectus. Our combined financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

This following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.

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

(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.

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%.

BASIS OF PRESENTATION

Immediately prior to the Reorganization, as more fully explained in the section of this prospectus headed "History and Reorganization — Reorganization," the listing 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 listing 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 listing business and does not result in any changes in the substance, management and Controlling Shareholder of the listing 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 listing 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 prospectus, the financial information of the Group has been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340, *Prospectuses and the Reporting Accountant*, 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 prospectus. 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 prospectus. 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 with respect to the Global Offering. 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 with respect to the Global Offering.

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, the net proceeds from the Global Offering 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. Other current assets primarily consist of capitalized costs related to the Global Offering. 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
Prepaid IPO-related service fees	—	—	4,357
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 (i) 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, and (ii) increase in IPO-related service fees, part of which will be capitalized upon the completion of the Global Offering.

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, IPO-related service fees and 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
IPO-related service fees	—	—	4,306
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, internally generated funds and estimated net proceeds of the Global Offering, 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 prospectus.

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, after the Global Offering, we will become a public company and will incur a significantly higher level of legal, accounting and other expenses than we did as a private company and we may need to obtain additional financial resources to cover these costs. 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.

LISTING EXPENSES

We incurred listing expenses in relation to the Listing in the amount of RMB6.2 million, out of which approximately RMB3.2 million was incremental and directly attributable to the equity transaction and included in "prepayment and other current assets" and the remaining amount of approximately RMB3.0 million was charged to our general and administrative expenses during the Track Record Period. We estimate to further incur listing expenses amounting to approximately RMB51.5 million in 2013, out of which approximately RMB42.6 million will be charged against our equity with the remaining amount of approximately RMB8.9 million to be charged against to our statements of comprehensive income. Our Directors do not expect such expenses to have a material adverse impact to our financial results for the year ending December 31, 2013.

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 Listing. 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 Listing. 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.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

We confirm that, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted net tangible assets of our Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on December 31, 2012.

It is based on our net tangible assets attributable to equity holders of the Company as of December 31, 2012 contained in the Accountant's Report in Appendix I to this prospectus and adjusted as described below:

	Audited combined net tangible assets attributable to equity holders of the Company as at December 31, 2012(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company as at December 31, 2012	Unaudited pro forma adjusted net tangible assets per Share	
	RMB'000	RMB'000	RMB'000	RMB(3)	HK$(4)(5)
Based on the Offer Price of HK$2.11 per Share	280,337	620,361	900,698	0.56	0.71
Based on the Offer Price of HK$2.81 per Share	280,337	831,180	1,111,517	0.69	0.88

Notes:

(1) *The audited combined net tangible assets attributable to the equity holders of the Company as of December 31, 2012 is extracted from the section entitled "Appendix I — Accountant's Report" in this prospectus, which is based on the audited combined net assets of the Group attributable to the equity holders of the Company as of December 31, 2012 of RMB282.9 million with an adjustment for the intangible assets of RMB2.6 million.*

(2) *The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$2.11 to HK$2.81 per Share, being the lower end to higher end of the stated offer price range, after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of the options granted or to be granted under the Share Option Scheme or any shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate.*

(3) *The unaudited pro forma adjusted net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis of 1,600,000,000 Shares are in issue assuming that the Global Offering and the Capitalization Issue have been completed on December 31, 2012, but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of the options granted or to be granted under the Share Option Scheme or any shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate.*

(4) *No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to December 31, 2012.*

(5) *For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi are converted into Hong Kong dollars at a rate of RMB0.79345 to HK$1.00. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.*

On May 21, 2013, Beijing Wisdom Media declared dividend in the amount of RMB80.0 million to its then shareholders, out of which RMB72.0 million has been paid and the remaining portion will be paid before the Listing. The unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company as at December 31, 2012 does not take into account such dividend payment. Had the dividend of RMB80.0 million been taken into account, the Group's unaudited pro forma adjusted net tangible assets to which the Company's equity holders will be entitled after the Listing would be lowered by the amount of RMB80.0 million.

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 prospectus, 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 prospectus.