



WISDOM
GROUP
智美集團

Stock Code : 1661

(Incorporated in the Cayman Islands with limited liability)

WISDOM
HOLDINGS GROUP
智美控股集團



Interim Report **2013**



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Corporate Information

EXECUTIVE DIRECTORS

Ms. Ren Wen (*Chairlady*)
Mr. Sheng Jie
Mr. Zhang Han

NON-EXECUTIVE DIRECTORS

Mr. Jin Haitao
Mr. Wang Shihong
Mr. Xu Jiongwei

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wei Kevin Cheng
Mr. Ip Kwok On Sammy
Mr. Jin Guoqiang

AUDIT COMMITTEE

Mr. Wei Kevin Cheng (*Chairman*)
Mr. Jin Guoqiang
Mr. Wang Shihong

REMUNERATION COMMITTEE

Mr. Jin Guoqiang (*Chairman*)
Mr. Wei Kevin Cheng
Mr. Sheng Jie

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Dominic Leung Oi Kin

AUTHORIZED REPRESENTATIVES

Mr. Sheng Jie
Mr. Dominic Leung Oi Kin

REGISTERED OFFICE

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HEADQUARTERS

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AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

HONG KONG LEGAL ADVISER

King & Wood Mallesons
13th Floor
Gloucester Tower
The Landmark
15 Queen's Road Central
Central, Hong Kong

COMPLIANCE ADVISER

Somerley Limited
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WEBSITE

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Financial Highlights

Shares (the “Shares”) in Wisdom Holdings Group (the “Company” or “Wisdom”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on July 11, 2013 (the “Listing Date”).

The board (the “Board”) of directors (the “Directors” and each a “Director”) of the Company is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended June 30, 2013, together with the relevant comparative figures for the same period of 2012.

- Net profit up by 51.9%, to RMB71.4 million.
- Revenue of Wisdom Program increased by 78.7%, to RMB58.9 million.
- Gross profit of Wisdom Program increased by 97.7%, to RMB37.7 million.
- Gross profit increased by 60.5%, to RMB120.9 million.
- Gross margin increased by 14.2%, to 45.8%.
- The Board do not recommend the payment of an interim dividend for the six months ended June 30, 2013.

Note: Figures above are for the six months ended June 30, 2013, compared with the corresponding period in 2012



Chairlady's Statement

“ Since the second half of last year, we have been conducting active adjustments and planning for our program products. Improvements have been made to the three-tier broadcast network for the production and broadcast of TV programs, which have been distributed to nearly 150 TV channels nationwide. Meanwhile, we have reported improved viewership rates, as we have successfully fulfilled the needs of different types of viewers thanks to vigorous efforts to provide program variety through original creation rather than purchased or copycat programs. We have always held the belief that creativity is the most important basis for survival and development, and our revenue records for the first half of the year have more than justified this strategic line of thinking.”

Dear Shareholders,

Wisdom was officially listed on the The Stock Exchange of Hong Kong Limited on July 11, 2013, with the net proceeds amounted to HKD837.6 million, after years of diligent efforts in business development. For Wisdom, it represented a qualitative change and we were of course delighted with this achievement. The delightful feeling has been momentary, however, as we have felt more like being charged with a greater sense of responsibility and a stronger driving force since the 11th of July.

This interim report represents Wisdom's first presentation of financial results to the public since its IPO. In all humbleness, we ask all investors, shareholders and members of the media for their generous views and opinions, which could only benefit us as we seek ongoing improvements in all aspects.

For the six months ended June 30, 2013, Wisdom reported an increase of approximately 51.9% in profit as compared to the same period last year, which should represent satisfactory growth. Looking back at the first half of 2013, China experienced a certain measure of correction in economic growth, while the Chinese government was also actively driving for the transformation of the model of the nation's economic growth. As a member of the culture industry, which has been designated a key sector by the government, Wisdom has undoubtedly enjoyed the combined benefits of favourable government policies on the one hand and popular demand on the other. As a result, we have registered considerable progress in terms of products, customers and media resources. That said, there remains a lot of room for improvement, as our growth rate has not been the fastest among domestic companies in the culture industry. As Chairlady of the Group, I am fully aware that there is a long road ahead as we seek to accomplish our mission.

Since the second half of last year, we have been conducting active adjustments and planning for our program products. Improvements have been made to the three-tier broadcast network for the production and broadcast of TV programs, which have been distributed to nearly 150 TV channels nationwide. Meanwhile, we have reported improved viewership rates, as we have successfully fulfilled the needs of different types of viewers thanks to vigorous efforts to provide program variety through original creation rather than purchased or copycat programs. We have always held the belief that creativity is the most important basis for survival and development, and our revenue records for the first half of the year have more than justified this strategic line of thinking. As a result of the increase in the number of TV channels buying our programs and the improvement in program quality, our high-end customers have increased investments in various joint efforts and advertisements in connection with program

production. This has in turn given a very significant boost to our revenue and gross profit margin from this segment. The improved results are no better justification for the program of Wisdom than improved top and bottom lines.

The current year is very important for Wisdom Sports. As I have repeatedly pointed out during the roadshow presentations, China's sporting culture industry is about to enter a stage of explosive growth. In the first half of 2013, the Company and China Media Culture Promotion Association jointly established China Sporting Culture Promotion Association (中國體育文化傳播促進會), which will play a crucial role to the development of China sporting culture. In the meantime, we carried out a lot of meticulous work in relation to tournament selection, long-term planning and preliminary sponsorship negotiations during the first half of the year. Credit to the concerted efforts of relevant government authorities and our partners, the "2014–2017 Calendar of Wisdom Sporting Tournaments" will soon be announced. This schedule will carry dozens of matches and competitions each year to be held in more than 15 provinces / municipalities / autonomous regions in China, featuring sports entertainment from different types of marine, terrestrial and air sports that are highly spectacular, participatory and popular with the public, as well as enormously lucrative in commercial value. The launch of the "2014–2017 Calendar of Wisdom Sporting Tournaments" will play a crucial role driving the rapid growth of China's sporting culture market. As the first listed company that includes the sporting culture segment in its business portfolio, Wisdom is rightfully charged with the responsibility of exploring and developing China's sporting culture business. We will commit our best efforts to advancing the organization and development of various types of sporting culture projects, with a view to spreading positive forces and effects throughout the society and inspiring our citizens and the entire nation towards physical fitness as well as a positive and optimistic outlook for life, to the ends that every individual will be able to make contributions to the development of our society.

The business segment of advertising services by Wisdom Branding remains the largest sector within the domestic culture industry in terms of revenue and sales amount at the present stage. For the genuine provision of a full range of professional and localized branding services to all our corporate customers, China must nurture its own breed of 4A advertising agencies with truly domestic brand names. In this connection, Wisdom Branding will continue to develop its existing business segments in a prudent manner and identify deep-lying potential in the market, aiming to grow into an international 4A company that provides comprehensive and systemic branding services to its customers.

We will treasure what we have achieved, and we will continue to make ongoing efforts towards the fulfillment of our goal and mission: to become an established enterprise engaged in businesses relating to China's national culture.

Last but not least, allow me to thank once again all parties who have provided assistance to Wisdom during and after its IPO listing exercise. In gratitude, Wisdom will seek to reward all investors for their trust and confidence with the best possible business results. Looking ahead, I ask you to be patient with us and be generous with your encouragement, instruction and advice. Like little ponies who are trying hard to gallop, we will run faster and trek farther with your wise counsel.

Board of Directors
Wisdom Holdings Group
Ren Wen
Chairlady

Management Discussion and Analysis



OVERVIEW OF THE GROUP

In the first half of 2013, the PRC government facilitated economic transformation aggressively, and rapid development of cultural industries was driven by implementation of government policies and mass demand. By capitalizing on the advantages of our product, customer and media resources accumulated over years as well as our effective control on operating costs of our core business, we have developed Wisdom Program rapidly, structured Wisdom Sports well and developed Wisdom Branding stably, achieving satisfactory results of the Company for the first half of 2013 as expected.

Given the impact of macro trends, Wisdom Program, under the active promotion of our management, has strengthened its research and development, design as well as efforts in expanding markets for TV programs, resulting in relatively substantial increases in program quality, viewership rates, distribution quantity and operating income. Our TV programs not only resonated with audiences' preferences, but also satisfied the needs of our clients for placing advertisements, relatively higher growth in our revenue and gross profit were achieved as a result. In the first half of 2013, Wisdom Sports was in a stage of planning for mid-to-long term development, striving for excellence in organization sports competitions, sponsors' contracts signing and media promotion for various held from the second half of 2013 onwards. Wisdom Branding has been exploring new customers and optimizing clients' quality, leading to a steady growth in performance.

As a newly listed company, our management has been developing a management approach for corporate growth based on the criteria of internationalization, standardization and scientization according to our business strategic development plan. By focusing on strengthening of management team, enhancing of internal control and implementing of functions of investment management, the Company holds firmly to our strategic goal of becoming an international cultural industry group.

BUSINESS REVIEW

I. Wisdom Program

Wisdom Program focuses on the production of video programs that are broadcasted on television channels and through the Internet to personal computers and mobile devices. Wisdom Program mainly generates revenues from the sale of the advertising time slots of our self-produced TV programs as well as from the embedded advertisements sponsored by our clients.

Program production and operation is our key segment for development. At present, television media continues to be the top choice for corporate clients to place their advertisements, and those clients tend to participate in process of program making with production team rather than simply placing advertisements, in a bid to achieving effective results of brand communication via the program platform. In the first half of 2013, the Group elevated its program quality, viewership rates, revenue and gross profit to a greater extent. Net income and gross profit generated from program production in the first half of 2013 increased by 78.7% and 97.7% respectively as compared to the same period in last year.

In the first half of 2013, TV programs produced under Wisdom Program mainly included “Lucky Go (《週末駕到》)”, the first large-scale television game show for family participation broadcasted nationwide by Chongqing Satellite TV, “China Trends (《中國潮》)”, a cultural commentary TV program jointly broadcasted by 142 local TV channels, and “Driving Fashion (《駕尚》)”, a TV program on the information of automobiles jointly broadcasted by 151 local TV channels. Our TV program production has not only made astonishing progress in terms of program quality and distribution platform, being proven by “Lucky Go (《週末駕到》)” receiving an award of “Cross-Strait Four Little Dragons of Creative TV Variety Program 2013 (2013兩岸四地創新電視綜藝欄目四小龍)”, but the independence and creativity for program production under Wisdom Program has been also expressly encouraged by a new policy “Notice on Further Strengthening the Administration of Singing Contest issued by the State Administration of Press Publication, Radio, Film and Television (Guang Fa (2013) No. 52) 國家新聞出版廣電總局關於進一步規範歌唱類選拔節目的通知 (廣發[2013]52號)” in July 2013. Rule No. 4 of such new policy provided that “To change TV broadcasters’ mindset of being not to rely on overseas TV programs, they are encouraged to support program development and creation in terms of capital, personnel and production structure, increasing the proportion of creative TV programs. The State Administration will give priority to creative programs broadcasted by TV satellite integrated channels and give preference to all kinds of competitions and contests. Meanwhile, the model of importing overseas TV programs will be strictly managed and controlled.” Such provision has provided the Group, as a first mover, a wider space for development.



II. Wisdom Sports

Wisdom Sports organizes, manages and promotes international and domestic sports competitions and other marketing events. Wisdom Sports unit generates revenues from the sponsorship fees from automobile, sports products, beverage, travel and other brand owners, the sale of advertising space at competition and event venues, registration fees from contestants and ticket sales to spectators.

2013 is a crucial year for Wisdom Sports' strategic plan. In the first half of 2013, the Company and China Media Culture Promotion Association jointly established China Sporting Culture Promotion Association (中國體育文化傳播促進會), which will play a crucial role to the development of China sporting culture. In the meantime, with our experience in successfully organizing various kinds of sports competitions, we will formulate a 4-year demand-oriented plan for developing sports and entertainment business. We are eager to develop those sports competitions with broad audience, huge potential for commercial value and brand impact. Our focus in the first half of 2013 set out in the strategic plan are project screening, cooperation discussion, commercial planning and communication with governmental industry authorities. The tasks went well under the efforts of our management. The "2014–2017 Calendar of Wisdom Sports Tournaments" has substantially completed, laying a concrete foundation for sustainable rapid growth of Wisdom Sports in the future.

In the first half of 2013, Wisdom Sports confirmed organization, sponsors' contracts signing and media promotion of various sports competitions to be held in the second half of 2013. "FIM Freestyle Motocross World Championship 2013 (2013 國際摩聯花式極限摩托世界錦標賽)", one of the major sports competitions, was held successfully on August 17 and 18, 2013 as scheduled. In addition, several major domestic and international sports competitions, such as "China Classic Car Rally 2013 (2013老式汽車中國拉力賽)", "Guangzhou Marathon 2013 (2013廣州馬拉松比賽)", "Hangzhou Marathon 2013 (2013杭州馬拉松比賽)" and "Hot Air Balloon Championship 2013 (2013中國熱氣球公開賽)", will be held in the second half of 2013.

III. Wisdom Branding

Wisdom Branding offers media investment management and branding and identity building services. For media investment management business, the Group generates revenues from selling the TV advertising time slots and advertising space of which the Group acquires exclusive rights from media operators to our



clients and recognizes the amounts paid to us by our clients as our revenues. The Group's branding and identity building services offer (i) branding strategy consultancy services; and (ii) advertisement agency services to clients. The Group receives revenues from clients for consultancy work and design of promotional packages in the Group's branding strategy consultancy services. Wisdom Branding also derives 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 the Group pay for available advertising time slots to which the Group do not have exclusive rights.

Media being operated under Wisdom Branding has been CCTV's high quality media resources, major clients of Wisdom Branding are primarily high-end ones in automobile, financial products, electronics and travel industries. For the six months ended June 30, 2013, the Group continued to perform exclusive agreements with CCTV in relation to certain TV programs, including "World Express (《國際時訊》)", "News Weekly (《新聞週刊》)", "World Weekly (《世界週刊》)", "Treasure Hunt (《尋寶》)" and "Oriental Horizon (《東方時空》)", maintaining our advantages in CCTV's exclusive advertising agency business.

FINANCIAL REVIEW

Comparison of results of operations for the six months ended June 30, 2013 with the six months ended June 30, 2012:

Revenue

The Group's revenues increased by approximately 10.6% to RMB264.2 million for the six months ended June 30, 2013 from RMB238.8 million for the six months ended June 30, 2012. This increase was primarily due to an increase in revenues from Wisdom Program.

Revenues from Wisdom Program increased by approximately 78.7% to RMB58.9 million for the six months ended June 30, 2013 from RMB32.9 million for the six months ended June 30, 2012. This increase was primarily attributable to (i) an increase in revenues from the 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 the TV program "China Trends (《中國潮》)", which was launched in March 2013.

Revenues from Wisdom Sports decreased by approximately 78.9% to RMB2.3 million for the six months ended June 30, 2013 from RMB10.9 million for the six months ended June 30, 2012. This decrease was primarily due to the adjustment of events where the important tournaments took place in the second half of the year 2012.

Revenues from Wisdom Branding increased by approximately 4.1% to RMB203.0 million for the six months ended June 30, 2013 from RMB195.0 million for the six months ended June 30, 2012. This increase was primarily due to an increase in revenues generated from purchased advertising time slots for programs by CCTV.

Cost of Services

The Group's cost of services decreased by approximately 12.3% to RMB143.3 million for the six months ended June 30, 2013 from RMB163.5 million for the six months ended June 30, 2012. This decrease was primarily due to a decrease in purchase cost charged by CCTV from Wisdom Branding.

Management Discussion and Analysis

Cost of services for Wisdom Program increased by approximately 52.7% to RMB21.2 million for the six months ended June 30, 2013 from RMB13.9 million for the six months ended June 30, 2012. This increase was primarily due to the production cost of three programmes.

Cost of services for Wisdom Sports increased by approximately 99.2% to RMB1.6 million for the six months ended June 30, 2013 from RMB0.8 million for the six months ended June 30, 2012. This increase was primarily due to an increase in wages of the personnel, housing rental and depreciated cost from the sports segment.

Cost of services for Wisdom Branding decreased by approximately 19.0% to RMB120.5 million for the six months ended June 30, 2013 from RMB148.8 million for the six months ended June 30, 2012. This decrease was primarily due to the reduction in the length of purchased advertising time slots from CCTV for the first half of 2013 as compared to the same period last year, which resulted in a decrease in purchase cost charged by CCTV.

Gross Profit and Gross Margin

As a result of the foregoing, the Group's gross profit increased by approximately 60.5% to RMB120.9 million for the six months ended June 30, 2013 from RMB75.3 million for the six months ended June 30, 2012. The Group's overall gross margin increased to 45.8% for the six months ended June 30, 2013 from 31.6% for the six months ended June 30, 2012. 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 Program, the gross profit for Wisdom Program increased by approximately 97.7% from RMB19.1 million for the six months ended June 30, 2012 to RMB37.7 million for the six months ended June 30, 2013. The gross margin for Wisdom Program increased to approximately 64.0% for the six months ended June 30, 2013 from 57.9% for the six months ended June 30, 2012. This increase was primarily due to the relatively high gross margin of the 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 the Group. "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 prize. Due to the nature and design of this program, it gained popularity among the audiences and became a platform for the Group's clients to place more advertisements, contributing to a relatively high gross margin.

As a result of the foregoing changes in revenues and cost of services for Wisdom Sports, the gross profit for Wisdom Sports decreased by approximately 92.8% from RMB10.1 million for the six months ended June 30, 2012 to RMB0.7 million for the six months ended June 30, 2013. The gross margin for Wisdom Sports decreased to 31.6% for the six months ended June 30, 2013 from 92.8% for the six months ended June 30, 2012. This decrease was primarily because of the first half of 2013 being scheduled as the preparatory period while the signing of agreements, organization and preparation, marketing and promotion as well as development of each competition according to the plan of Wisdom Sports being the focus for the second half of 2013.

As a result of the foregoing changes in revenues and cost of services for Wisdom Branding, the gross profit for Wisdom Branding increased by approximately 78.7% from RMB46.1 million for the six months ended June 30, 2012 to RMB82.5 million for the six months ended June 30, 2013. The gross margin for Wisdom Branding increased to 40.6% for the six months ended June 30, 2013 from 23.7% for the six months ended June 30, 2012. This increase was primarily due to (i) the signing of contract of “Treasure Hunt (《尋寶》)” between one of the Group’s top five clients in 2012 and the Group, which results in the percentage of increase in revenues from “Treasure Hunt (《尋寶》)” at a level much higher than the percentage of increase in the cost, (ii) the reduction in the length of purchased advertising time slots for the first half of 2013 as compared to the same period last year, which resulted in a decrease in the cost, contributing to an increase in gross margin.

Selling and Distribution Costs

The Group’s selling and distribution costs increased by 59.8% to RMB10.1 million for the six months ended June 30, 2013 from RMB6.3 million for the six months ended June 30, 2012. This increase was primarily attributable to the increase in the number of the Group’s sales personnel and their salaries and benefits, which was generally in line with the Group’s continued efforts in strengthening marketing and sales capabilities as a result of the expansion of the Group’s business in 2013, particularly the launch of new TV programs and sports competitions.

General and Administrative Expenses

The Group’s general and administrative expenses increased by 85.9% to RMB13.8 million for the six months ended June 30, 2013 from RMB7.4 million for the six months ended June 30, 2012. 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.

Net Finance Income

The Group’s net finance income decreased by 75.9% to RMB0.3 million for the six months ended June 30, 2013 from RMB1.1 million for the six months ended June 30, 2012. This decrease was primarily due to a decrease in interest income on short-term bank deposits.

Profit Before Income Tax

As a result of the foregoing, the Group’s profit before income tax increased by 54.9% to RMB97.2 million for the six months ended June 30, 2013 from RMB62.8 million for the six months ended June 30, 2012.

Income Tax Expenses

The Group’s income tax expenses increased by 64.0% to RMB25.9 million for the six months ended June 30, 2013 from RMB15.8 million for the six months ended June 30, 2012. This increase was primarily attributable to the increase in the Group’s taxable income. The Group’s effective tax rate for the six months ended June 30, 2013 was 26.6%, compared to approximately 25.1% for the six months ended June 30, 2012. This increase was primarily due to paying for tax in respect of the dividends paid by Beijing Wisdom Culture Co., Ltd. (北京維世德文化有限公司) to Auto Culture Group Holdings Limited (香港智美控股集團有限公司), a subsidiary of the Group in Hong Kong.

Management Discussion and Analysis

Profit

As a result of the foregoing, the Group's profit increased by 51.9% to RMB71.4 million for the six months ended June 30, 2013 from RMB47.0 million for the six months ended June 30, 2012. The Group's net profit margin increased from 19.7% for the six months ended June 30, 2012 to 27.0% for the six months ended June 30, 2013.

Cash Flows

The Group financed its working capital and other capital requirements primarily through cash generated from its operations. The table below sets out selected cash flow data from the Group's consolidated statement of cash flows.

	Unaudited	
	For the six months ended June 30,	
	2013	2012
	RMB'000	RMB'000
Net cash generated from operating activities	67,922	10,115
Net cash used in investing activities	(3,171)	(2,609)
Net cash used in financing activities	(85,000)	(5,938)
Net (decrease)/increase in cash and cash equivalents	(20,249)	1,568
Cash and cash equivalents at beginning of period	99,450	136,480
Cash and cash equivalents at the end of period	79,201	138,048

Net Cash Generated from Operating Activities

Net cash generated from operating activities increased 5.7 times to RMB67.9 million for the six months ended June 30, 2013 from RMB10.1 million for the six months ended June 30, 2012. The change was mainly attributable to an increase in profit before income tax and the collection of trade receivables compared with the same period in 2012.

Net Cash Used in Investing Activities

Net cash used in investing activities for the six months ended June 30, 2013 represented the acquisition of property, plant and equipment. Net cash used in investing activities increased by 21.5% to RMB3.2 million for the six months ended June 30, 2013 from RMB2.6 million for the six months ended June 30, 2012. The change was mainly attributable to an increase in the purchases of property, plant and equipment.

Net Cash Used in Financing Activities

Net cash used in financing activities increased 13.3 times to RMB85 million for the six months ended June 30, 2013 from RMB5.9 million for the six months ended June 30, 2012. The change was mainly attributable to the payment of dividends to the equity holders of the Company by the Group in June 2013.

Working Capital

The Group's net current assets decreased by 3.7% to RMB234.4 million for the six months ended June 30, 2013 from RMB243.5 million as at December 31, 2012. The decrease in net current assets was mainly attributable to the payment of dividends to the equity holders of the Company by the Group.

Capital Expenditure

The total spending on the acquisition of property, plant and equipment amounted to RMB3.4 million for the six months ended June 30, 2013 (2012: RMB1.3 million).

LIQUIDITY AND FINANCIAL RESOURCES OF THE GROUP

In order to achieve better cost control and minimise the cost of funds, the Group's treasury activities are centralised and cash is generally deposited with banks and denominated mostly in RMB. As at June 30, 2013, the Group had net current assets of RMB234.4 million (December 31, 2012: RMB243.5 million), of which cash and cash equivalents and various bank deposits together amounted to RMB79.2 million (December 31, 2012: RMB99.5 million).

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

For the clients who purchase advertising time slots in Wisdom Program and Wisdom Branding units, the Group normally requires advance payment according to the specific payment schedules set forth in relevant advertisement placement agreements. The Group generally does not grant credit terms to these clients in the agreements with them, except for a very few clients which have a large amount of transaction volume or long business relationship with the Group. For the clients in the Wisdom Program unit who purchase advertising resources other than advertising time slots, the Group normally allows them to make payments in installments according to the schedule set forth in the agreements with them. For the clients in the Wisdom Sports unit, the Group normally allows them to make payments in installments according to the schedule set forth in the agreements with them.

In addition to the Group's payment arrangements with the clients set forth in the relevant agreements, the Group conducts a periodic review of their payment progress in the Group's internal control system and assesses the Group's credit policy for them. After taking into account of a series of factors, including transaction volume, length of business relationship, prior dealing history with the Group, creditworthiness, the industry practice, the macroeconomic and market competition environment, the Group's financial position and working capital needs and the Group's marketing and sales strategy, the Group may further extend credit periods ranging from three to six months to some of the clients in practice. Such extension of credit periods is granted on a case-by-case basis and not set forth in the payment terms in the agreements with relevant clients. The Group will continue to monitor the payment progress of these clients and take appropriate measures as to the collection of trade and notes receivables based on the Group's assessment and ongoing communications with the clients.

The Group has not experienced any material impact or effects on its operations or liquidity as a result of fluctuations in currency exchange rates for the six months ended June 30, 2013, and the Company has not used any financial instruments for hedging purposes as the risk of exposure to fluctuations in exchange rates is comparatively low.

CAPITAL STRUCTURE OF THE GROUP

The reorganization (the "Reorganization") of the Company and the subsidiaries of the Company as set out in the prospectus was completed on June 24, 2013. Apart from the Reorganization, there was no alternation in the capital structure of the Group for the six months ended June 30, 2013. The Company was listed on the Main Board of the Stock Exchange on July 11, 2013. On August 7, 2013, the Company issued an additional 9,045,000 ordinary shares at the offer price of HK\$2.11 each to the public upon the partial exercise of the over-allotment option. The details of the issuance of new shares to investors after completing the initial public offering are set out in note 20 to the condensed consolidated interim financial information.

Management Discussion and Analysis

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

For the six months ended June 30, 2013, the Company has no material investment, acquisition and disposal of subsidiaries. At present, the Company has no plans for material investment or acquisition of material capital asset.

CHARGE ON ASSETS

For the six months ended June 30, 2013, there were no charges on the Group's assets.

FINANCIAL RATIO

Financial Ratio	As at June 30, 2013	As at December 31, 2012
Current ratio ⁽¹⁾	326.3%	377.8%
Gearing ratio ⁽²⁾	N/A	N/A

Notes:

- (1) Current ratio represents a ratio of current assets to current liabilities.
- (2) Gearing ratio is calculated as net debt (total bank borrowings less cash and cash equivalents) divided by total equity. The gearing ratio is not applicable to the Group as it had no bank borrowings as at December 31, 2012 and June 30, 2013 respectively.

The current ratio decreased from 377.8% as at December 31, 2012 to 326.3% as at June 30, 2013. The decrease was primarily due to a decrease in receivables. The current ratio was generally at a healthy level.

CONTINGENT LIABILITIES

As at June 30, 2013, the Company had no material contingent liabilities.

HUMAN RESOURCES

The total number of employees of the Group was approximately 160 as at June 30, 2013. The Group implements remuneration policy that is competitive in the industry, and pays commissions and discretionary bonus to its sales personnel and other employees with reference to performance of the Group and individual employees. The total cost of the employees for the six months ended June 30, 2013 amounted to RMB11.9 million.

INDUSTRY OUTLOOK AND PROSPECTS OF THE GROUP

The next decade will be an era of national revival of China and uplift of soft strength of Chinese culture. The PRC government will facilitate economic transformation aggressively; all ministries and commissions under the State Council will launch various policies for promoting the development of cultural industries, providing impetus for

developing our industry. Meanwhile, escalating standard of living of people in China has changed their consumption pattern from focusing on necessities to pursuing quality of life, constantly boosting the consumption demand for culture, sports and entertainment. As a result, cultural industries in China are expected to blossom.

Under such favorable circumstances, the Group will implement the following development strategies:

1. As the first integrated cultural industries group listed in Hong Kong, the Group strengthens its management team by capitalizing on Hong Kong and international market perspectives, proactively exploring commercial cooperation opportunities with overseas institutions, in a bid to realizing the goal of “going global (走出去)” on the foundation of “inviting the world in (引進來)”.
2. Parallel development of three business units, namely Wisdom Program, Wisdom Sports and Wisdom Branding. Wisdom Program will establish a “China’s Television Network” which will be the largest broadcast platform in China integrating content production, program distribution and advertisement placing. In addition, the Group will seek to develop its TV entertainment and films business by investing and cooperating with domestic and international television broadcasters and film makers, provided that risks involved are under our control. Wisdom Sports will enjoy first-mover advantages in the PRC market by co-organizing or contracting various sports competitions and entertainment events with governmental competent authorities at all levels, so as to set up a cultural and sports media platform providing management and operation services. Wisdom Sports will also endeavor to develop those projects with broad audience and huge commercial value, satisfying our clients’ diverse needs by providing them with more advertising products in sports marketing. Wisdom Branding will strive for consolidating its existing business as well as integrating marketing channels of our clients from various sectors. By leveraging on our local advantages acquired over years, we will seek to conduct all-dimensional cooperation with international 4A advertising companies, for the purpose of becoming a Chinese 4A company.
3. Given the development of the system for program production and organization of sports competitions, Wisdom Program and Wisdom Sports have grown rapidly with increasing proportion of our total revenue. As our brand awareness is elevating, the Group will create and develop sports competitions and entertainment events well received by viewers in China by capitalizing on our advantages of business consolidation. Additionally, we will enhance the awareness as well as mass participation of all competitions organized by us via television network. At present, we are endeavoring to develop those sports competitions and entertainment programs suitable for clients’ advertisement, providing our clients with new forms of advertisement, such as sports and entertainment program as well as embedded advertisements in TV drama series and movies. As a result, the Group could maximize its commercial value by consolidating customer resources, product projects and media channels.

Business Outlook in the Second Half of 2013

Generally, advertising in second half of a year is crucial for our clients, they tend to select diverse means for advertising. The products offered by the Company under our three core businesses could provide our clients different advertising streams simultaneously for effective communication and create synergy, satisfying the need of our clients for one-stop as well as multidimensional communications. In 2012, revenue generated from clients who purchased products under two or more business segments accounted for 44.5% of our total revenue, and we expect such percentage will be maintained or even increase this year.

Management Discussion and Analysis

Due to the nature of the business of the Company, majority of sports competitions organized under Wisdom Sports will be held in the second half of 2013, and turnover from media investment management business under Wisdom Branding in the second half of a year is generally higher than the first half of the year. As such, significant growth in revenue and profit of the Company in the second half of 2013 over the first half of 2013 is expected.

In the second half of 2013, 5 sports competitions will be held by Wisdom Sports, namely “FIM Freestyle Motocross World Championship 2013 (2013國際摩聯花式極限摩托世界錦標賽)”, “China Classic Car Rally 2013 (2013老式汽車中國拉力賽)”, “Guangzhou Marathon 2013 (2013廣州馬拉松比賽)”, “Hangzhou Marathon 2013 (2013杭州馬拉松比賽)” and “Hot Air Balloon Championship 2013 (2013中國熱氣球公開賽)”. The Company has been the veteran organizers of the first three competitions. Given the increasing brand awareness of the competitions and our practical experience in organization and operation, a considerable uplift in revenue of the Company is expected and cost control will be more effective. This year, the Company, as an experienced organizer of “Guangzhou Marathon 2012 (2012廣州馬拉松比賽)”, has organized “Hangzhou Marathon (杭州馬拉松比賽)” for the first time, and we could capitalize on the operational and profit model developed by the Company for “Hangzhou Marathon (杭州馬拉松比賽)”. As low altitude sports below 3,000 meters were allowed in China last year, the Company has entered into an agreement with the Aero Sports Management Center of the PRC’s State General Administration of Sport (國家體育總局航管中心) for exclusive rights to organize Hot Air Balloon Championship. As majority of the world’s top 500 enterprises form its hot air balloon team, the spectacularity and the brand promotion value of Hot Air Balloon Championship will provide brighter outlook and greater room for development in China.

The revenue generated from Wisdom Program has grown rapidly due to the popular TV program “Lucky Go (《週末駕到》)”, our quality project, broadcasted by Chongqing Satellite, and good viewership rate and market share are expected to maintain in the second half of 2013. In addition, the Company has a new TV program “China Trends (《中國潮》)” broadcasted via terrestrial TV channels and the existing program “Driving Fashion (《駕尚》)”, the increasing number of TV channels for both TV programs will further enhance their media value, facilitating effective communication and wider coverage to customers in second and third tier markets. The Company will launch a TV military program “Chamber of Military Secrets (《軍情密室》)” broadcasted by Chongqing Satellite, enormously positive responses have been received from our clients at pre-broadcast stage, and revenue from the program in the second half of 2013 is expected to be solid. For program distribution, the Company will seek to distribute TV drama series by way of distribution agency which involves lower costs in the second half of the year. Commission from distribution, if successful, will contribute to our revenue and gross profit of the Wisdom Program.

For the media investment management business under Wisdom Branding, the Group has secured the advertising time slots for 5 TV programs on CCTV news channels and CCTV integrated channels. In general, second half of a year is a peak season for placing advertisements by clients, and our revenue and gross profit of Wisdom Branding in the second half of 2013 will maintain steady growth.

As a result of the foregoing development of our operating segments, we estimate that the proportion of revenue and gross profit of Wisdom Sports and Wisdom Program will expand. Given the increasing number of sports competitions organized by the Company, B2C revenue model is expected to expand as revenue will be mainly from registration fees from contestants and ticket sales to spectators. Meanwhile, the Company will launch certain B2C training programs, such as “Marathon Training Camp” and “Motorcycle Training” in the second half of the year, as part of the sports competitions organized by the Company, and profit under the B2C revenue model will further increase.

Disclosure of Interests

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

(a) On July 11, 2013, Shares of the Company were first listed on the Main Board of the Stock Exchange. As at August 7, 2013, the date on which new Shares were issued pursuant to the partial exercise of the over-allotment option (as defined in the Prospectus of the Company dated June 28, 2013), the interests and short positions of the Directors of the Company or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

(i) Long position in the Shares

Name of Director	Nature of interest	Number of Shares	Approximate percentage interest
Ms. Ren Wen (<i>Note 1</i>)	Interest of controlled corporations (<i>Note 1</i>)	284,520,000	17.68%
	Founder of discretionary trust (<i>Note 2</i>)	603,480,000	37.51%

Notes:

- These 284,520,000 Shares are held as to 103,680,000 Shares by Top Car Co., Ltd. ("Top Car") and as to 180,840,000 Shares by Lucky Go Co., Ltd. ("Lucky Go"). Ms. Ren Wen holds approximately 88.42% of the equity interest in Top Car and approximately 33.13% of the equity interest in Lucky Go. Ms. Ren Wen is the sole director of Top Car and Lucky Go. Therefore, Ms. Ren Wen is deemed or taken to be interested in all Shares held by Top Car and Lucky Go for the purposes of the SFO.
- Upon completion of the capitalization issue, Queen Media Co., Ltd. ("Queen Media") became the direct owner of 603,480,000 Shares. The entire issued share capital of Queen Media is owned by Sky Limited ("Trust Co"), whose entire issued share capital is the trust asset of The SKY Trust ("SKY Trust"), which was founded by Ms. Ren Wen as settlor and managed by Credit Suisse Trust Limited as trustee for the SKY Trust, which is a trust established in accordance with the law of Guernsey. The discretionary beneficiaries of the SKY Trust include Ms. Ren Wen and her family members.

Disclosure of Interests

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

Name of Director	Name of associated corporation	Approximate percentage interest
Ms. Ren Wen	Beijing Wisdom Media Holding Co., Limited (北京智美傳媒股份有限公司) ("Beijing Wisdom Media")	52.29%
	Beijing Car Culture Advertising Co., Ltd (北京智美車文廣告有限公司) (Note 3)	100%
	Guangzhou Qibu Media Co., Ltd (廣州騏步文化傳播有限公司) (Note 3)	100%
	Shanghai Zhizhen Media Co., Ltd (上海智真尚成文化傳播有限公司) (Note 3)	100%
	Beijing Wisdom Leadership Sports Culture Co., Ltd (北京智美領航體育文化有限公司) (Note 3)	100%
	Beijing Xinchuang Branding Co., Ltd (北京新創智力品牌管理有限公司) (Note 3)	100%
	Mr. Sheng Jie	Beijing Wisdom Media
Mr. Zhang Han	Beijing Wisdom Media	0.18%

Note:

3. A wholly owned subsidiary of Beijing Wisdom Media.

- (b) Save as disclosed above, as at August 7, 2013, the date on which new Shares were issued pursuant to the partial exercise of the over-allotment option, none of the Directors, chief executives of the Company and their respective associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

- (a) So far as is known to the Directors, as at August 7, 2013, the date on which new Shares were issued pursuant to the partial exercise of the over-allotment option, according to the register of interest kept by the Company under section 336 of the SFO, the following persons (not being a Director or chief executive of the Company as disclosed in paragraph (a) above) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

(i) Long position in the Shares

Name of substantial shareholders	Nature of interest	Number of Shares	Approximate percentage interest
Mr. Zhou Wenjie	Interest of spouse	888,000,000	55.19%
Trust Co	Interest of controlled corporation	603,480,000	37.51%
Credit Suisse Trust Limited	Trustee (Note 4)	603,480,000	37.51%
Queen Media	Beneficial owner	603,480,000	37.51%
Lucky Go	Beneficial owner	180,840,000	11.24%
Avance Holdings Limited	Beneficial owner	120,000,000	7.46%
Top Car	Beneficial owner	103,680,000	6.44%

Note:

4. Queen Media is the direct owner of 603,480,000 Shares. The entire issued share capital of Queen Media is owned by Trust Co, whose entire issued share capital is the trust asset of the SKY Trust, which was founded by Ms. Ren Wen as settlor and managed by Credit Suisse Trust Limited as trustee for the SKY Trust, which is a trust established in accordance with the law of Guernsey. The discretionary beneficiaries of the SKY Trust include Ms. Ren Wen and her family members.

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

Name	Name of associated corporation	Approximate percentage interest
Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司) (Note 5)	Beijing Wisdom Media	10.00%

Note:

5. Shenzhen Capital Group Co., Ltd. directly holds 5.826% of interests in Beijing Wisdom Media. It is also the holding company of Beijing Hongtu Jiahua Venture Investment Co., Ltd. (北京紅土嘉輝創業投資有限公司) which holds 4.174% of interests in Beijing Wisdom Media.

- (b) Save as disclosed above, as at August 7, 2013, the date on which new Shares were issued pursuant to the partial exercise of the over-allotment option, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Important Events

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the “Share Option Scheme”) on June 14, 2013, which became effective on the Listing Date. No options were granted under the Share Option Scheme from the date of its adoption to the date of this report. A summary of the principal terms and conditions of the Share Option Scheme is set out in Appendix IV to the prospectus of the Company dated June 28, 2013.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities from the Listing Date and up to the date of this report. The Shares were first listed on the Main Board of the Stock Exchange on July 11, 2013.

CHANGE OF INFORMATION IN RESPECT OF DIRECTORS

There was no change to any of the information required to be disclosed in relation to any Directors of the Company pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Listing Rules since the Listing Date.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from issue of new shares of the Company in its global offering and the partial exercise of over-allotment option (after deducting the underwriting fees and related expenses) amounted to approximately HKD837.6 million, which are intended to be applied in the manner as disclosed in the prospectus of the Company dated June 28, 2013 in respect of the global offering of its shares.

INTERIM DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended June 30, 2013. Beijing Wisdom Media, an affiliated entity of the Company, distributed dividends to its then shareholders in the amount of RMB80 million during the six months ended June 30, 2013.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float since the Listing Date as required under the Listing Rules.

Corporate Governance and Other Information

CORPORATE GOVERNANCE CODE

As the Company was listed on July 11, 2013, the Company was not required to comply with the requirements under the code provisions set out in the Corporate Governance Code (the “Code”) set out in Appendix 14 to the Listing Rules or the continuing obligations requirements of a listed issuer pursuant to the Listing Rules for the six months ended June 30, 2013. Since the Listing Date, the Company has applied the principles and complied with all the applicable code provisions set out in the Code, except for the deviation from code provision A.2.1 of the Code as described below.

Under code provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Ms. Ren Wen, who acts as the chairlady of the Board and an executive Director, is also responsible for overall management and formulation of business strategy of the Group. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. The roles of the respective executive Directors and senior management who are in charge of different functions complement the role of the chairman and chief executive. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently.

The Company understands the importance to comply with the code provision A.2.1 of the Code and will continue to consider the feasibility to comply. If compliance is determined, appropriate persons will be nominated to assume the different roles of chairman and chief executive.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

As the Company was listed on July 11, 2013, the Company was not required to comply with the provisions under the Listing Rules in relation to the Model Code for the six months ended June 30, 2013. Since the Listing Date, the Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors’ securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the code of conduct and the required standard set out in the Model Code regarding directors’ securities transactions from the Listing Date up to the date of this report.

Corporate Governance and Other Information

SUBSEQUENT EVENTS

On July 11, 2013, the Company's ordinary shares were listed on the Main Board of the Stock Exchange.

On August 7, 2013, the Company issued an additional 9,045,000 ordinary shares at the offer price of HK\$2.11 each to the public upon the partial exercise of the over-allotment option.

Subsequent to the completion of the over-allotment, the issued and fully paid share capital of the Company has been increased to US\$402,261 (equivalent to RMB2,479,557), divided into 1,609,045,000 shares of US\$0.00025 each.

On March 11, 2013, the Company commences the liquidation process of Guangzhou Qibu Media Co., Ltd, Shanghai Zhizhen Media Co., Ltd and Beijing Wisdom Leadership Sports Culture Co., Ltd, three wholly owned subsidiaries of the Company. Guangzhou Qibu Media Co., Ltd has completed its liquidation procedure in August 2013. The liquidation of Shanghai Zhizhen Media Co., Ltd and Beijing Wisdom Leadership Sports Culture Co., Ltd is currently in process.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") in compliance with Rule 3.21 of the Listing Rules and with terms of reference aligned with the provision of the Code as set out in Appendix 14 to the Listing Rules for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The Audit Committee comprises three members, two being independent non-executive Directors and one being a non-executive Director, namely, Mr. Wei Kevin Cheng, as its Chairman, Mr. Jin Guoqiang and Mr. Wang Shihong.

The Audit Committee met with the external auditors of the Company to discuss the review process and accounting issues of the Audit Committee. The interim financial results of the Group for the six months ended June 30, 2013 is unaudited but has been reviewed by PricewaterhouseCoopers, the auditors of the Company, and by the Audit Committee.

The Audit Committee has reviewed together with management the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2013 and considers it in compliance with generally accepted accounting principles as well as laws and regulations. The Audit Committee has also reviewed the effectiveness of the internal control system of the Company and considers the internal control system to be effective and adequate.

Report on Review of Condensed Consolidated Interim Financial Information



羅兵咸永道

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF WISDOM HOLDINGS GROUP

(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated interim financial information set out on pages 24 to 40, which comprises the interim condensed consolidated balance sheet of Wisdom Holdings Group (the “Company”) and its subsidiaries (together, the “Group”) as at June 30, 2013 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on condensed consolidated interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, August 25, 2013

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Interim Condensed Consolidated Balance Sheets

	Note	Unaudited As of June 30, 2013 RMB'000	Audited As of December 31, 2012 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	37,003	36,110
Intangible assets	11	2,459	2,602
Deferred income tax assets		406	721
Total non-current assets		39,868	39,433
Current assets			
Capitalized program costs		1,544	4,675
Trade and notes receivables	12	104,761	127,309
Other receivables		62,279	57,110
Prepayments and other current assets	13	89,904	42,502
Amounts due from related parties	19	325	113
Cash and cash equivalents	14	79,201	99,450
Total current assets		338,014	331,159
Total assets		377,882	370,592
EQUITY			
Equity attributable to equity holders of the Company			
Share capital and share premium	15	3,204	3,204
Reserves		105,849	105,882
Retained earnings		165,231	173,853
Non-controlling interest		—	—
Total equity		274,284	282,939
LIABILITIES			
Current liabilities			
Trade payables	17	15,278	30,764
Other payables		39,141	13,042
Advance from customers		12,065	11,854
Amount due to related parties	19	6,121	3,817
Tax payables		30,993	28,176
Total current liabilities		103,598	87,653
Total liabilities		103,598	87,653
Total equity and liabilities		377,882	370,592
Net current assets		234,416	243,506
Total assets less current liabilities		274,284	282,939

The notes on pages 28 to 40 form an integral part of this unaudited condensed consolidated interim financial information.

Interim Condensed Consolidated Statements of Comprehensive Income

	Note	Unaudited Six months ended June 30,	
		2013 RMB'000	2012 RMB'000
Revenue		264,197	238,812
Cost of services	8	(143,293)	(163,464)
Gross profit		120,904	75,348
Selling and distribution costs	8	(10,122)	(6,334)
General and administrative expenses	8	(13,839)	(7,445)
Other gain, net		15	49
Operating profits		96,958	61,618
Finance income		295	1,148
Finance costs		(21)	(10)
Finance income, net		274	1,138
Profit before income tax		97,232	62,756
Income tax expenses	9	(25,854)	(15,762)
Profit for the period		71,378	46,994
Profit attributable to:			
Equity holders of the Company		71,378	46,919
Non-controlling interest		—	75
Other comprehensive income:			
Foreign currency translation adjustment		—	—
Total comprehensive income for the period		71,378	46,994
Attributable to:			
Equity holders of the Company		71,378	46,919
Non-controlling interest		—	75
Total comprehensive income for the period		71,378	46,994
Earnings per share attributable to equity holders of the Company			
Basic earnings per share (RMB)	16	0.06	0.04
Diluted earnings per share (RMB)	16	0.06	0.04
Dividends	10	80,000	—

The notes on pages 28 to 40 form an integral part of this unaudited condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Changes in Equity

	Unaudited						
	Attributable to equity holders of the Company					Non-controlling interest	Total equity
	Share Capital	Share Premium	Reserves	Retained earnings	Total		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at January 1, 2013	63	3,141	105,882	173,853	282,939	–	282,939
Total comprehensive income for the period ended June 30, 2013	–	–	–	71,378	71,378	–	71,378
Dividend	–	–	–	(80,000)	(80,000)	–	(80,000)
Foreign currency translation adjustment	–	–	(33)	–	(33)	–	(33)
Balance at June 30, 2013	63	3,141	105,849	165,231	274,284	–	274,284
Balance at January 1, 2012	–	–	98,316	99,486	197,802	413	198,215
Total comprehensive income for the period ended June 30, 2012	–	–	–	46,919	46,919	75	46,994
Capital contribution from equity holders of the Company	62	–	–	–	62	–	62
Balance at June 30, 2012	62	–	98,316	146,405	244,783	488	245,271

The notes on pages 28 to 40 form an integral part of this unaudited condensed consolidated interim financial information.

Interim Condensed Consolidated Statements of Cash Flows

	Unaudited	
	Six months ended June 30,	
	2013	2012
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	90,080	19,332
Income tax paid	(22,158)	(9,217)
Net cash generated from operating activities	67,922	10,115
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,426)	(1,257)
Purchase of intangible assets	(40)	(2,500)
Interest received	295	1,148
Net cash used in investing activities	(3,171)	(2,609)
Cash flows from financing activities		
Capital contribution from equity holders of the Company	—	62
Dividend paid to equity holders	(85,000)	(4,000)
Cash paid for discount on equity investment in 2009	—	(2,000)
Net cash used in financing activities	(85,000)	(5,938)
Net (decrease)/increase in cash and cash equivalents	(20,249)	1,568
Cash and cash equivalents at beginning of period	99,450	136,480
Cash and cash equivalents at end of period	79,201	138,048

The notes on pages 28 to 40 form an integral part of this unaudited condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1. GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) is principally engaged in the provision of program production and related services, organization and management of sports-related competitions and other marketing events, and advertising services, in the People’s Republic of China (the “PRC” or “China”) (“the Listing Business”).

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

2. BASIS OF PRESENTATION

This condensed consolidated interim financial information is presented in Renminbi (‘RMB’), unless otherwise stated.

This condensed consolidated interim financial information was approved for issue on August 25, 2013.

These condensed consolidated interim financial statements have been reviewed, not audited.

These condensed consolidated interim financial statements for the six months ended June 30, 2013 (the “period”) have been prepared in accordance with HKAS 34, ‘Interim financial reporting’. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2012, which have been prepared in accordance with HKFRSs.

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2012, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

4. ESTIMATES

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the combined financial statements for the year ended December 31, 2012, with the exception of changes in estimates that are required in determining the provision for income taxes.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, cash flow and fair value interest-rate risk, credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2012.

There have been no changes in the risk management department since year end or in any risk management policies.

5.2 Liquidity risk

Compared to year ended December 31, 2012, there were no material changes in the contractual undiscounted cash out flows for financial liabilities.

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Notes to the Condensed Consolidated Interim Financial Information

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(continued)

5.3 Fair value estimation (continued)

During the period, the Group did not have any financial assets or liabilities that were measured at fair value. The carrying amounts of the Group's current financial assets, including cash and cash equivalents, trade and notes receivables, prepayments and other current assets, other receivables and amounts due from related parties, and the Group's current financial liabilities including trade payables, advance from customers, tax payables, other payables and amounts due to related parties, approximate their fair values due to their short maturities.

6. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reports provided to the chief operating decision-maker. The Chief Executive Officer is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Chief Executive Officer for the purposes of allocating resources and assessing performance.

The Chief Executive Officer considers the business from three operating segments: program production and related services, event organization and related services and advertising services.

The segment information provided to the Chief Executive Officer for the reportable segments for the six months ended June 30, 2013 is as follows:

	Program production and related services RMB'000	Event organization and related services RMB'000	Advertising services RMB'000	Headquarters (Unallocated) RMB'000	Total RMB'000
Revenue from external customers	58,882	2,298	203,017	–	264,197
Cost of services	(21,179)	(1,572)	(120,542)	–	(143,293)
– Depreciation and amortization	(458)	(201)	(456)	–	(1,115)
Gross profit	37,703	726	82,475	–	120,904
Selling and distribution expenses				(10,122)	(10,122)
General and administrative expenses				(13,839)	(13,839)
Interest income				295	295
Finance costs				(21)	(21)
Other gain, net				15	15
Income tax expenses				(25,854)	(25,854)
Net income					71,378

Notes to the Condensed Consolidated Interim Financial Information

6. SEGMENT INFORMATION (continued)

The segment information provided to the Chief Executive Officer for the reportable segments for the six months ended June 30, 2012 is as follows:

	Program production and related services RMB'000	Event organization and related services RMB'000	Advertising services RMB'000	Headquarters (Unallocated) RMB'000	Total RMB'000
Revenue from external customers	32,945	10,914	194,953	—	238,812
Cost of services	(13,870)	(789)	(148,805)	—	(163,464)
— Depreciation and amortization	(468)	(39)	(450)	—	(957)
Gross profit	19,075	10,125	46,148	—	75,348
Selling and distribution expenses				(6,334)	(6,334)
General and administrative expenses				(7,445)	(7,445)
Interest income				1,148	1,148
Finance costs				(10)	(10)
Other gain, net				49	49
Income tax expenses				(15,762)	(15,762)
Net income					46,994

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

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

For the six months ended June 30, 2013, the Group recognized revenue from one customer amounting to RMB32,685,965, and the revenue individually represent over 10% of the Group's total revenue. The revenue is attributable to the advertising segment.

For the six months ended June 30, 2012, the Group recognized revenue from two customers amounting to RMB52,216,060 and RMB29,422,321, respectively, and these revenues individually represent over 10% of the Group's total revenue. These revenues are attributable to the advertising and program production segments.

Notes to the Condensed Consolidated Interim Financial Information

7. SEASONALITY OF OPERATIONS

The demand for the Group's services is usually higher during the second half of each year than it is during the first half, which is mainly attributable to the greater marketing and sales efforts of the Group's customers during that period. In addition, the Group derives a portion of its revenues from organization, management and promotion of domestic and international sports-related competitions and events, the occurrence of which vary from period to period. In the financial year ended December 31, 2012, 42.9% of revenues accumulated in the first half of the year, with 57.1% accumulating in the second half of the year.

8. EXPENSES BY NATURE

	Six months ended June 30,	
	2013 RMB'000	2012 RMB'000
Advertising time slots and other media costs	118,501	149,637
Program production and related costs	18,557	6,862
Event organizing costs	380	463
Employee benefit expenses	11,877	10,658
Entertainment expenses	713	436
Operating lease rentals	2,171	727
General office expenses	5,738	3,662
Travelling expenses	2,301	1,516
Depreciation and amortization	2,752	2,169
Professional fees	2,483	344
Remuneration — audit fees	1,371	500
Promotion related expenses	410	269
Total	167,254	177,243

Notes to the Condensed Consolidated Interim Financial Information

9. INCOME TAX EXPENSES

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

	Six months ended June 30,	
	2013	2012
	RMB'000	RMB'000
Current	25,539	15,707
Deferred	315	55
Total tax charge for the period	25,854	15,762

(i) Cayman Islands profits tax

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

(ii) Hong Kong profits tax

No Hong Kong profits tax has been provided, as the Group has no taxable profit earned or derived in Hong Kong. The applicable Hong Kong profit tax rate is 16.5% and 16.5% for the six months ended June 30, 2013 and 2012, respectively.

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

CIT is provided on the assessable income of entities within the Group incorporated in the PRC.

Pursuant to the PRC Corporate Income Tax Law (the "New CIT Law"), the CIT is unified at 25% for all types of entities, effective from January 1, 2008.

(iv) PRC withholding income tax

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

Notes to the Condensed Consolidated Interim Financial Information

10. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

Dividends during the period ended June 30, 2013 represented dividends declared by the companies now comprising the Group to the then-existing shareholders of the companies for the period ended June 30, 2013, after elimination of intra-group dividends. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

On May 21, 2013, Beijing Wisdom Media declared dividend amounting to RMB80,000,000 to its then shareholders and paid in June 2013.

11. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment RMB'000	Intangible assets RMB'000
Six months ended June 30, 2013		
Net book value	37,003	2,459
Opening amount as at January 1, 2013	36,110	2,602
Additions	3,426	40
Disposals	—	(1)
Depreciation and amortization	(2,533)	(182)
Closing amount as at June 30, 2013	37,003	2,459
Six months ended June 30, 2012		
Net book value	36,488	2,785
Opening amount January 1, 2012	37,370	467
Additions	1,257	2,500
Disposals	(165)	—
Depreciation and amortization	(1,974)	(182)
Closing amount June 30, 2012	36,488	2,785

Notes to the Condensed Consolidated Interim Financial Information

12. TRADE AND NOTES RECEIVABLES

	Unaudited as of June 30, 2013 RMB'000	Audited as of December 31, 2012 RMB'000
Trade receivables	95,615	112,304
Notes receivables	9,146	15,005
Total	104,761	127,309

The aging analysis of the above trade receivables and notes receivables, which are past due but not impaired, is as follows:

	Unaudited as of June 30, 2013 RMB'000	Audited as of December 31, 2012 RMB'000
Within 1 month	28,693	45,366
1 to 3 months	43,503	46,467
4 to 6 months	18,900	22,332
6 to 12 months	12,500	12,580
Over 12 months	1,165	564
Total	104,761	127,309

As at June 30, 2013 no provisions or write-offs were recorded for trade receivables as management assessed that the receivables could be recovered. As at December 31, 2012 trade receivables of RMB60,000, related to one customer, was impaired and written-off.

Notes to the Condensed Consolidated Interim Financial Information

13. PREPAYMENTS AND OTHER CURRENT ASSETS

	Unaudited as of June 30, 2013 RMB'000	Audited as of December 31, 2012 RMB'000
Prepayment for advertising timeslots	46,305	35,732
Prepaid IPO-related service fees	38,895	4,357
Prepaid membership fee	1,438	1,456
Prepaid lease and property management fees	910	457
Others	2,356	500
Total	89,904	42,502

Included in prepayment was unsold advertising time slots for contracted amount of RMB24.76 million (2012: nil). Such prepayment can be used to purchase time slots in the second half of 2013. There was no such deferment as at June 30, 2012.

14. CASH AND CASH EQUIVALENTS

	Unaudited as of June 30, 2013 RMB'000	Audited as of December 31, 2012 RMB'000
Cash on hand	130	65
Cash in bank	79,071	99,385
Total	79,201	99,450

Notes to the Condensed Consolidated Interim Financial Information

15. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Opening balance January 1, 2013	10,000	63	3,141	3,204
Shares increase pursuant to subdivision	39,990,000	—	—	—
At June 30, 2013	40,000,000	63	3,141	3,204
At March 21, 2012 (date of incorporation)	—	—	—	—
Issuance of shares	9,800	62	—	62
At June 30, 2012	9,800	62	—	62

The company was incorporated on March 21, 2012 with an authorized capital of 50,000 ordinary shares with a nominal value of US\$1.00 each. On the date of incorporation, 8,800 shares were issued at nominal value. On June 28, 2012, 1,000 shares were issued at nominal value. On July 3, 2012, 200 shares were issued at a total consideration of US\$500,000. Accordingly, the total number of issued ordinary shares was increased to 10,000 shares with a nominal value of US\$1.00 each. Considerations in respect of issuance of shares were fully paid. Considerations exceeding the carrying value of the ordinary shares were recorded as share premium, amounting to US\$499,800 (equivalent to RMB3,141,493).

On June 14, 2013, the shareholders of the Company resolved to approve the subdivision of each issued and unissued ordinary share of US\$1.00 each in the share capital of the Company to 4,000 shares with a nominal value of US\$0.00025 each. The shareholders also resolved to approve to increase the authorized share capital of the Company from US\$50,000 to US\$1,000,000 by the creation of an additional 3,800,000,000 shares with a nominal value of US\$0.00025 each. Accordingly, the authorized share capital of the Company became US\$1,000,000 divided into 4,000,000,000 ordinary shares with a nominal value of US\$0.00025 each, and the issued share capital of the Company become US\$10,000 divided into 40,000,000 ordinary shares with a nominal value of US\$0.00025 each.

On June 14, 2013, the shareholders of the Company resolved to capitalise an amount of US\$290,000 the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par 1,160,000,000 Shares for allotment and issue to the shareholders in proportion to their respective shareholding, upon the completion of the Global Offering, appear on the register of members of the Company at the close of business on June 14, 2013 in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in the Company, each ranking pari passu in all respects with the then existing issued Shares, and the Directors of the Company were authorised to give effect to such capitalization and distributions. The capitalization of share premium will be accounted for upon completion of the Global Offering.

Notes to the Condensed Consolidated Interim Financial Information

16. EARNINGS PER SHARE

Basic earnings per share for the six months ended June 30, 2013 and 2012 is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue. In determining the number of ordinary shares in issue for the six months ended June 30, 2013 and, 2012, 39,200,000 shares of the Company, which were resulted from the issue and allotment of 8,800 shares and 1,000 shares by the Company on March 21, 2012 and June 28, 2012 respectively and the subsequent subdivision of shares on June 14, 2013, and the 1,136,800,000 shares issued and allotted through capitalization of the share premium account of the Company on June 14, 2013, had been regarded as if these shares were in issue since January 1, 2012.

	Six months ended June 30,	
	2013	2012
Profit attributable to equity holders of the Company (RMB thousand)	71,378	46,919
Weighted average number of ordinary shares in issue (thousand) (Note (i))	1,200,000	1,057,326
Basic and diluted earnings per share (RMB per share)	0.06	0.04

As there were no dilutive options and other dilutive potential shares in issue during the six months ended June 30, 2013 and 2012, diluted earnings per share is the same as basic earnings per share.

Note (i): The weighted average number of ordinary shares for six months ended June 30, 2013 and 2012 used in basic and diluted earnings per share calculation is retrospectively adopted for the subdivision of shares on June 14, 2013, and the capitalization of the share premium account of the Company as disclosed in Note 15.

17. TRADE PAYABLES

	As at	
	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Within 1 month	5,456	7,441
1 to 3 months	679	1,221
4 to 6 months	209	2,711
Over 6 months	8,934	19,391
Total	15,278	30,764

Notes to the Condensed Consolidated Interim Financial Information

18. CONTINGENT LIABILITIES

The Group has no contingent liabilities in respect of legal claims arising in the ordinary course of business.

19. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The following transactions were carried out with related parties during the Relevant Periods:

(a) Revenue and cost of services transactions with related parties

	Six months ended June 30,	
	2013	2012
	RMB'000	RMB'000
Cost of services paid to an entity controlled by a shareholder	—	273

Cost of services paid to an entity controlled by a shareholder consists of fees paid to obtain magazine advertisement space.

(b) Amounts due from related parties

	As at	
	June 30, 2013	December 31, 2012
	RMB'000	RMB'000
Advance to shareholders and key employees	325	113

Advance to shareholders and key employees comprised cash advances to employees who are also shareholders or key management of the Company. These employee advances were to be used for the purchase of supplies and equipment related to the Group's program production, event organization and related services. The receivables are unsecure in nature and bear no interest. No provisions are held against the advance to shareholders and key employees.

Notes to the Condensed Consolidated Interim Financial Information

19. RELATED PARTY TRANSACTIONS (continued)

(c) Amounts due to related parties

	As at	
	June 30, 2013 RMB'000	December 31, 2012 RMB'000
Loan from Controlling Shareholder	1,338	642
Loan from other shareholders	4,113	2,505
Service fees due to an entity controlled by a shareholder	670	670
Total	6,121	3,817

Loan from Controlling Shareholder consist of loan for advertising time slot deposits. This loan is non-interest bearing.

Loan from other shareholder consist of a loan for business expansion purposes. This loan is non-interest bearing and payable upon demand.

Amounts due to an entity controlled by a shareholder consist of fees payable to obtain magazine advertisement space.

20. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On July 11, 2013, the Company's ordinary shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "SEHK").

On August 7, 2013, the Company issued an additional 9,045,000 ordinary shares at the offer price of HK\$2.11 each to the public upon the partial exercise of the over-allotment option.

Subsequent to the completion of the over-allotment, the issued and fully paid share capital of the Company has been increased to US\$402,261 (equivalent to RMB2,479,557), divided into 1,609,045,000 shares of US\$0.00025 each.

On March 11, 2013, the Company commences the liquidation process of Guangzhou Qibu Media Co., Ltd, Shanghai Zhizhen Media Co., Ltd and Beijing Wisdom Leadership Sports Culture Co., Ltd, three wholly owned subsidiaries of the Company. Guangzhou Qibu Media Co., Ltd has completed its liquidation procedure in August 2013. The liquidation of Shanghai Zhizhen Media Co., Ltd and Beijing Wisdom Leadership Sports Culture Co., Ltd is currently in process.