WISDOM SPORTS GROUP

智美體育集團

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1661)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2015

CONSOLIDATED RESULTS

The board (the "**Board**") of directors (the "**Directors**" and each a "**Director**") of Wisdom Sports Group (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2015 as follows:

Consolidated Statement of Comprehensive Income

		Year ended December 31,	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**681,429**	804,301
Cost of services	*4*	**(499,574)**	(430,207)
Gross profit		**181,855**	374,094
Selling and distribution expenses	*4*	**(81,450)**	(30,826)
General and administrative expenses	*4*	**(62,280)**	(45,431)
Other income	*5*	**6,202**	7,291
Other gains, net	*6*	**22,535**	51,157
Operating profit		**66,862**	356,285
Finance income	*7*	**10,638**	14,995
Finance costs	*7*	**(3,036)**	(682)
Finance income, net	*7*	**7,602**	14,313
Profit before income tax		**74,464**	370,598
Income tax expense	*8*	**(23,671)**	(92,604)
Profit for the year		**50,793**	277,994
Total comprehensive income for the year		**50,793**	277,994
Attributable to owners of the Company		**50,793**	277,994
Earnings per share attributable to owners of the Company			
Basic earnings per share	*9*	**RMB0.03**	RMB0.17
Diluted earnings per share	*9*	**RMB0.03**	RMB0.17

Consolidated Balance Sheet

	Note	As at December 31, 2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**10,615**	11,735
Investment property		**20,732**	21,992
Intangible assets		**4,323**	2,074
Deferred income tax assets		**—**	967
Available-for-sale financial assets	*10*	**30,000**	—
Prepayments	*13*	**6,000**	—
		71,670	36,768
Current assets			
Capitalized program costs		**2,528**	2,013
Trade and notes receivables	*11*	**334,871**	310,725
Other receivables	*12*	**112,265**	127,303
Prepayments	*13*	**110,107**	99,355
Financial assets at fair value through profit or loss	*14*	**6,563**	155,233
Cash and cash equivalents		**522,259**	598,486
		1,088,593	1,293,115
Total assets		**1,160,263**	1,329,883
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*15*	**2,479**	2,479
Share premium	*15*	**337,352**	486,993
Reserves	*16*	**123,802**	121,813
Retained earnings		**638,536**	587,935
Total equity		**1,102,169**	1,199,220

Consolidated Balance Sheet (Continued)

		As at December 31,	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Liabilities			
Current liabilities			
Trade payables	*17*	**33,932**	14,565
Other payables	*18*	**14,375**	13,111
Advance from customers		**8,718**	16,584
Tax payables		**1,069**	86,403
		58,094	130,663
Total liabilities		**58,094**	130,663
Total equity and liabilities		**1,160,263**	1,329,883

1. GENERAL INFORMATION

Wisdom Sports 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 events services and program & branding services, in the People's Republic of China (the "**PRC**" or "**China**").

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

These consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on March 31, 2016.

2. BASIS OF PRESENTATION

The consolidated financial statements of Wisdom Sports Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets at fair value through profit or loss, which are carried at fair value.

Changes in accounting policy and disclosures

(a) Amended standard and annual improvements adopted by the Group

The following amendment to standard or annual improvements have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contribution
Annual Improvements 2012	Annual Improvements 2010–2012 cycle
Annual Improvements 2013	Annual Improvements 2011–2013 cycle

The adoption of the above mentioned amendment to standard and annual improvements did not result in any significant changes to the Group's accounting policies and presentation of the consolidated financial statements.

(b) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) New and amended standards and annual improvements not yet adopted by the Group

A number of new standards, amendments to existing standards and annual improvements, which may be applicable to the Group, are effective for annual periods beginning after January 1 2015 and have not been applied in preparing these consolidated financial statements. The Group has already commenced an assessment of the impact of the below new and amended standards and annual improvements and is not yet in a position to state what impact they would have on the Group.

HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations[1]
HKAS 16 and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortization[1]
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture[2]
HKAS 27 (Amendment)	Equity method in separate financial statements[1]
Annual improvements 2014	Annual improvements in 2012–2014 cycle[1]
HKFRS 10 and HKFRS 12 and HKAS 28 (Amendment)	Investment entities: applying the consolidation exception[1]
HKAS 1 (Amendment)	Disclosure initiative[1]
HKFRS 15	Revenue from Contracts with Customers[3]
HKFRS 9	Financial Instruments[3]

1 Effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.

2 The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

3 Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

There are no other HKFRS or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3. REVENUE AND SEGMENT INFORMATION

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

The segment information provided to the Chief Executive Officer for the reportable segments for the year ended December 31, 2015 is as follows:

	Wisdom Events	**Wisdom Program & Branding**	**Headquarters (Unallocated)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**345,275**	**336,154**	**—**	**681,429**
Cost of services	**(179,472)**	**(320,102)**	**—**	**(499,574)**
— Depreciation and amortization	**(3,011)**	**(210)**	**—**	**(3,221)**
Gross profit	**165,803**	**16,052**	**—**	**181,855**
Selling and distribution expenses			**(81,450)**	**(81,450)**
General and administrative expenses			**(62,280)**	**(62,280)**
Other income			**6,202**	**6,202**
Other gains, net			**22,535**	**22,535**
Finance income			**10,638**	**10,638**
Finance costs			**(3,036)**	**(3,036)**
Income tax expense			**(23,671)**	**(23,671)**
Profit for the year				**50,793**

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

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

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 year ended December 31, 2015, no individual revenue from one customer represent over 10% of the Group's total revenue (2014: nil).

4. EXPENSES BY NATURE

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Event organization and related costs	**152,808**	96,866
Advertising time slots, program production and related costs	**317,466**	321,166
Promotion related expenses	**57,627**	5,040
Employee benefit expenses	**52,396**	36,342
Operating lease rentals	**12,918**	11,189
General office expenses	**8,014**	9,704
Travelling expenses	**6,956**	6,144
Depreciation and amortization	**6,079**	6,541
Provisions for impairment of other receivables (Note 12)	**4,100**	—
Entertainment expenses	**1,067**	979
Professional fees	**14,473**	5,293
Auditors' remuneration — audit services	**4,000**	3,600
Auditors' remuneration — non-audit services	**5,400**	3,600
	643,304	506,464

5. OTHER INCOME

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Investment income from other financial assets (Note a)	**5,924**	5,626
Rental income from investment property	**278**	1,665
	6,202	7,291

(a) The Group invested in unlisted treasury products issued by commercial banks in the PRC. The principals of these investments are guaranteed by the corresponding commercial banks. The investments are denominated in RMB and with maturity periods within three months. The balance of other financial assets as at December 31, 2015 is nil.

6. OTHER GAINS, NET

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Financial assets at fair value through profit or loss — fair value gains (Note 14)	**1,330**	5,233
Government grants (Note a)	**20,601**	46,036
Others	**604**	(112)
	22,535	51,157

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

7. FINANCE INCOME, NET

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Finance income:		
— Interest income on short-term bank deposits	**10,638**	14,995
Finance costs:		
— Bank charges	**(38)**	(55)
— Exchange losses	**(2,998)**	(627)
	(3,036)	(682)
Finance income, net	**7,602**	14,313

8. INCOME TAX EXPENSE

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

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Current income tax	**22,704**	92,669
Deferred income tax	**967**	(65)
	23,671	92,604

(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 for the year ended December 31, 2015 (2014: nil). The applicable Hong Kong profit tax rate is 16.5% for the year ended December 31, 2015 (2014: 16.5%).

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

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

9. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share for the year ended December 31, 2015 is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue.

	Year ended December 31,	
	2015	2014
Profit attributable to owners of the Company (RMB'000)	**50,793**	277,994
Weighted average numbers of ordinary shares in issue (thousands)	**1,609,045**	1,609,045
Basic and diluted earnings per share	**RMB0.03**	RMB0.17

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares comprise shares to be issued under its share options. For share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share option. As there were no dilutive potential ordinary shares outstanding for the year ended December 31, 2015, the diluted earnings per share for the year is equal to basic earnings per share.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015	2014
	RMB'000	*RMB'000*
At January 1	**—**	—
Additions	**30,000**	—
At December 31	**30,000**	—

Available-for-sale financial assets include the following:

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Unlisted securities:		
— Wisdom Hongtu Fund	**30,000**	—
	30,000	—

Available-for-sale financial assets are denominated in the following currencies:

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
RMB	**30,000**	—
	30,000	—

In October 2014, Beijing Wisdom Media Holding Co., Limited (北京智美傳媒股份有限公司) ("**Beijing Wisdom Media**"), a wholly owned subsidiary of the Company, entered into a Limited Partnership Agreement with Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司) ("**SCG**") and Hongtu Jingshan Investment Management Advisory (Beijing) Company Limited (紅土景山投資管理顧問(北京)有限公司) ("**Hongtu Jingshan**"), whereas Beijing Wisdom Media committed to make a capital contribution of RMB75,000,000 for the joint establishment of Wisdom Hongtu Cultural Investment Management Center (Limited Partnership) (北京智美紅土文化投資管理中心(有限合夥))("**Wisdom Hongtu Fund**" or "**the Fund**") with SCG and Hongtu Jingshan. The total committed capital contribution from investors to the Fund is RMB155,000,000. Beijing Wisdom Media is a Limited Partner of the Fund, and has no influence power of the financial and operating decisions of the Fund. The Fund intends to invest in sports culture business, sports culture media and other sectors relating to sports culture, such as the Internet and new media.

As at December 31, 2015, Beijing Wisdom Media had invested RMB30,000,000 into the Fund. The Fund with a total assets of RMB62,000,000 as at December 31,2015 is an unconsolidated structured entity of the Group. The Group's largest risk exposure on the Fund is the carrying amount of Beijing Wisdom Media's capital contribution in the Fund of RMB30,000,000 as at the balance sheet date. Except for the committed capital contribution, Beijing Wisdom Media has neither obligation nor intention to provide financial support to the Fund.

Beijing Wisdom Media does not hold voting rights of the Fund and does not participate in or influence the financial and operating policy decisions of the Fund in any ways, thereby Beijing Wisdom Media has no significant influence over the Fund, and accordingly it is recognized as 'available-for-sale financial assets' stated at fair value.

11. TRADE AND NOTES RECEIVABLES

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Trade receivables (a)	**297,489**	301,623
Notes receivables (b)	**37,382**	9,102
	334,871	310,725

The carrying amounts of receivables approximate their fair values.

(a) The ageing analysis based on invoice date of the above trade receivables is as follows:

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Within 1 month	**70,467**	109,602
1 to 3 months	**79,792**	131,099
4 to 6 months	**12,982**	18,440
7 to 12 months	**104,493**	24,414
1 to 2 years	**21,063**	18,068
Over 2 years	**8,692**	—
	297,489	301,623

As at December 31, 2015, no trade receivables were impaired. The maximum exposure to credit risk at the reporting date is the carrying value of the receivables mentioned above. The Group does not hold any collateral as security.

As at December 31, 2015, trade receivables of RMB134,248,000 (2014: RMB42,482,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Past due 1 to 6 months	**104,493**	24,414
Past due over 6 months	**29,755**	18,068
	134,248	42,482

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

The carrying amounts of trade and notes receivables are all denominated in RMB.

12. OTHER RECEIVABLES

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Government grants receivables (Note 6)	**36,349**	62,399
Deposits with media companies and event organization companies	**66,723**	49,736
Advance to employees	**7,574**	10,736
Lease and other deposits	**3,519**	3,365
Interest receivable	**88**	654
Others	**2,112**	413
Less: Provision for impairment of other receivables	**(4,100)**	—
	112,265	127,303

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

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

As at December 31, 2015, other receivables of RMB4,100,000 (2014: nil) were impaired. The individually impaired receivables mainly related to one customer, which is in difficult financial situation. It was assessed that the receivables is not expected to be recovered.

The maximum exposure to credit risk at the reporting date is the carrying value of the other receivables mentioned above. The Group does not hold any collateral as security.

13. PREPAYMENTS

	As at December 31, **2015** *RMB'000*	2014 *RMB'000*
Prepayment for media resources	**78,678**	81,692
Prepayment for investment (Note a)	**6,000**	—
Prepayment for sport competition and event organization expenses	**5,317**	9,425
Prepaid lease and property management fees	**3,939**	3,701
Prepayment for income tax	**13,244**	—
Value-added tax credit	**5,049**	—
Others	**3,880**	4,537
	116,107	99,355
Less non-current portion: prepayment for investment	**(6,000)**	—
Current portion	**110,107**	99,355

The carrying amounts of the prepayments are all denominated in RMB.

Note:

(a) On June 23, 2015, Beijing Wisdom Media entered into a capital increase framework contract with Nie Xuezhen, Kong Fei, Gu Shufeng and Zhang Xiaodong, who are the original shareholders of CoolplayClub (北京酷玩部落科技有限公司), an unlisted corporation, whereas Beijing Wisdom Media will make capital contribution into CoolplayClub. As at December 31, 2015, Beijing Wisdom Media made the full payment of RMB6,000,000 to acquire 7.5% of the shares of CoolplayClub.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31, **2015** *RMB'000*	2014 *RMB'000*
Investment in HuaAn Fund	**6,563**	155,233

The above financial assets are the investments in HuaAn Fund, whose portfolio investments are traded in secondary market.

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'Other gains, net' in the consolidated statement of comprehensive income.

15. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares *(thousands)*	Share capital *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
Issued and fully paid:				
At January 1, 2014	1,609,045	2,479	636,634	639,113
Dividends relating to 2013 and paid in June 2014 (Note 19) (Note a)	—	—	(149,641)	(149,641)
At December 31, 2014	1,609,045	2,479	486,993	489,472
Dividends relating to 2014 and paid in June 2015 (Note 19) (Note a)	—	—	(149,641)	(149,641)
At December 31, 2015	1,609,045	2,479	337,352	339,831

Note:

(a) Under the Companies Law of the Cayman Islands, the share premium account is available for distribution to shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company is in a position to pay off its debts as they fall due in the ordinary course of business of the Company.

16. RESERVES

	Statutory reserves (Note a) *RMB'000*	Other reserves *RMB'000*	Share-based Payment reserves *RMB'000*	Total *RMB'000*
At January 1, 2014	34,915	82,152	—	117,067
Statutory reserves appropriation	4,457	—	—	4,457
Liquidation of a subsidiary	—	(250)	—	(250)
Share-based payments	—	—	539	539
At December 31, 2014	39,372	81,902	539	121,813
Statutory reserves appropriation	192	—	—	192
Share-based payments	—	—	1,797	1,797
At December 31, 2015	39,564	81,902	2,336	123,802

Note:

(a) The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the profit after income tax (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to shareholders. All statutory reserves are created for specific purposes. A PRC company is required to appropriate 10% of statutory profits after income tax to statutory surplus reserves, upon distribution of its post-tax profits of the current year.

A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's operations or to increase the capital of the company. In addition, a company may make contribution to the discretionary surplus reserve using its post-tax profits in addition to the 10% statutory surplus reserves requirement, as mentioned above, by passing a resolution of the board of directors. The Group did not make any appropriation to the discretionary surplus reserve.

17. TRADE PAYABLES

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

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Within 1 month	**16,957**	12,205
1 to 3 months	**15,984**	24
4 to 6 months	**139**	—
7 to 12 months	**—**	1,871
Over 12 months	**852**	465
	33,932	14,565

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

18. OTHER PAYABLES

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Salary and welfare payables	**6,344**	4,100
Audit service fee	**3,160**	2,800
Non-audit service fee	**1,495**	3,844
Others	**3,376**	2,367
	14,375	13,111

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

19. DIVIDENDS

The dividend paid in 2015 was RMB149,641,000 (2014: RMB149,641,000) or RMB0.093 per share (2014: RMB0.093 per share) for final dividend in respect of the year ended December 31, 2014. No dividend in respect of the year ended December 31, 2015 is to be proposed at the annual general meeting in 2016.

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Proposed final dividend	**—**	149,641
	—	149,641

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE GROUP

In 2015, China's economic growth slowed down and GDP growth was only 6.9%, below 7% for the first time. The economy of China faced complicated market situation with downturn pressure. While, through the national supply-side reform, structural adjustment, de-stocking and de-leveraging, China's overall economy remained relatively stable. China's economic situation was also reflected in the change of the Group's conventional business. Conventional media advertising industry hugely declined as a whole and the operating conditions of partners in the same industry showed a sharp decline in profit. Although the conventional CCTV advertising business of the Group was superior to the average level of the same industry, it showed a significant decline with the economic cycle.

However, it is delightful that the sports industry of China flourished in 2015. "Certain Opinion on the Acceleration of the Development of the Sports Industry and the Stimulation of Sports-related Consumption" issued by the State Council and the implemented files over the country in 2014 specified the direction for the development of the Chinese sports industry. A large amount of capital flew into various segments of the sports industry, from the sports event operations to health management, from professional sports to nationwide fitness, from summer events to winter events, from the sports marketing to sports venue management, from sports equipment to the smart equipment, and the sports industry explosively grew in 2015. General public opinion and the nationwide focus had been successfully transferred from competitive sports to nationwide fitness and health, and the development and growth of sports industry as well. In the meantime, population participating in sports grew explosively, directly promoting the gradual formation of social atmosphere of participation of all citizens in sports events. At the same time, the consumption of nationwide fitness gradually increased; the supply-side reforms of the sports industry made initial achievements; and the function of sports industry as a new economic growth point had exerted the effect.

The management of the Group made an earlier decision to actively participate in the development of the sports industry and the extension of the industry chain after the Listing. In 2015, in face of the complicated economic environment, the Group focused on the implementation of comprehensive transformation and upgrading of sports strategy, and adjusted the business and income structure. Under the circumstances of China's economic downturn, the Group, based on the initially layout of the sports industry, took the development of the 5th basic necessity of life, "Exercise" (on top of clothing, food, shelter and transportation) as its mission, adhered to the strategic objective of "gathering population, building scenes and promoting consumption" and continued to strengthen its presence in the industry chain for sports industry in the position of an overall "Sports +" strategy layout. The Group has formed the business model with sports media, sports marketing and sports service as the core and achieved the gradual integration of the sports business segments and the international advanced profit model. On the basis of promoting sports business platform and regional development, the Group further expanded the mass consuming market and continued to maintain the leading position in the field of sports industry through developing and integrating premium sports events resources and accumulating statistical data on the sports population. The Group has gradually formed the sports industry ecology and created products and services for the rapid bursts of consumption of sports industry in the future with the expectation to grow along with the sports market.

The year of 2015 was a paramount year for comprehensive enhancement of the Group's strategy. On the basis of the rapid development of business scale, the Group actively matched adjustment optimization of the company and management structure, provided training to projects and regional management staff team, introduced a large number of excellent professional and managerial personnel, promoted the efficiency of management, and stimulated the team cooperation through the stock option incentive mechanism, all of which are laying a solid foundation for the rapid development of the Group.

BUSINESS REVIEW

I. Wisdom Events

The segment of Wisdom Events is engaged in the organisation, management and promotion of various international and domestic sporting tournaments and other marketing activities. Wisdom Events derives its revenue from the business of B2B (Business to Business) and B2C (Business to Customer), namely title sponsorships, general sponsorships and advertising fees paid by branded companies, enrolment fees paid by events participants, as well as sales of admission tickets and derivatives.

In 2015, the Group sought rapid development while reinforcing the industrial structure. The Group has taken the development of the 5th basic necessity of life, "Exercise", as its mission, and launched abundant sports products for sports fans.

In connection with the operation of sports events, the Group continued to maintain a strong advantage in the field of road race. In 2015, the Group successfully operated five of the largest marathon races in the China, including "2015 Kunming International Half Marathon", "2015 Shenyang Marathon", "2015 Changsha International Marathon", "2015 Hangzhou International Marathon" and "2015 Guangzhou Marathon". Meanwhile, the Group won seven major awards in Marathon Gala-China 2015, of which "2015 Hangzhou International Marathon" and "2015 Guangzhou Marathon" were awarded as Chinese Athletic Association ("CAA") gold medal events, "2015 Guangzhou Marathon" was awarded the historic title of International Association of Athletics Federations ("IAAF") bronze label event, and "2015 Kunming International Half Marathon" won two awards of silver medal event and characteristics event. Meanwhile, "2015 Shenyang Marathon" and "2015 Changsha International Marathon" which were hosted for the first time were awarded the bronze medal events. At the same time, the Group also won the annual contribution award, and will cooperate with CAA to operate "One Belt and One Road" marathon series, which will become the new upgrade of proprietary intellectual property of China marathon.

In respect of the proprietary intellectual property events, six races of "Season Run", the creative running event with independent intellectual property rights, were held in Shenzhen, Tianjin, Chongqing, Beijing, Qingdao and Chengdu in 2015. In connection with public sports competitions, "Charitable Walkathon for the Chinese Dream" (幸福足跡城市徒步大會), an urban walkathon, was successfully operated by the Group in 2015, which spanned across three months with a route covering 25 cities in 12 provinces with participants in the number of nearly one million. In 2015, the number of cooperative provinces and municipalities was increased to 14, including the government authorities of major economic regions, namely Beijing, Tianjin, Hebei, Liaoning, Shandong, Henan, Hubei, Jiangsu, Anhui, Shanghai, Zhejiang, Chongqing, Hunan and Kunming. Public Sports Event Alliance of China (中國大眾體育賽事聯盟) was established with cooperation projects including, among others things, footrace, basketball, soccer, badminton, tennis, swimming, sports dancing, table tennis, rollers, walkathon, square dancing, Go chess, Chinese chess, cycling and fitness competition. During the year of 2015, more than 1,300 events were held and more than 10 million participants were involved in the proprietary intellectual property events mentioned above.

At the same time, the Group carried out the in-depth layout in the field of basketball, and launched CBL (City Basketball League) Basketball Tournament with independent intellectual property. CBL Basketball Tournament was divided into Urban Elite Challenge Series, Dream Basketball Tournament and 3v3 King of Land Tournament. In the year of 2015, CBL Basketball Tournament respectively carried out Urban Elite Challenge Series and 3v3 King of Land Tournament in Tianjin, Beijing, Chongqing, Qingdao, Shenyang, Changsha, Kunming, Chengdu, Hangzhou and Guangzhou, with 220 teams of association accumulated through the year, a total of 50,000 people participated, and 65 universities involved. CBL Basketball Tournament also adapted and filmed the first basketball microfilm "Our Basketball Dream" based on the players' true stories, and also shot 10 episodes of basketball reality show surrounding Urban Elite Challenge Series, recording the magnificent transformation from a civilian player to a grassroots star. In November, "Hard Fighting", a platform to provide organization of basketball competitions, was formally launched, with cumulative active members of 30,000 and 460 registered teams on the platform until February 2016. Population of Wisdom basketball sports had been greatly increased, national basketball leagues were created and popularity and brand reputation was formed.

In connection with sports services, with an aim to serve the mass consumers, the Group established an "online + offline" integrated service model to form the largest sports and fitness database across the country. The Group has also created a mature system for provision of consumption services which contributed to the realization of comprehensive commercial value through sports training, sports tourism and event derivatives. In 2015, the Group incorporated the concept of carnival into "Season Run" and Marathon project operations to gain an in-depth understanding and development of the customers' demands through the publicity of entertainment. For sports event derivative products business, the Group successively launched "Five Marathon Commemorative Medals" followed with the five major marathon events. In the meantime, in tandem with the exclusively operated five major marathon events, the Group commenced its operation of various training camps for marathons in cooperation with different game committees, including, among others things, pre-race training guidance, pre-run protection, in-race injury treatment, first-aids information, scientific training, and tailor-made training programme. The services of the training camps cater for the needs of different sporting population groups and came in the forms of online Q&A and offline training activities. In the aspect of sports tourism, combined with marathon events, the Group carried out planning of event tourism routes, providing the competitors with planning and design of routes including one-stop traffic, accommodation, competition, outings and communication, which was an attempt in the field of sports tourism. In 2015, the Group cumulatively received more than 860 thousand pieces of evaluation in the tournament with users satisfaction of 97.6% and customers satisfaction of 99.1%. Great reputation advantage has been formed and C terminal (customer terminal) users value has been accumulated, which laid a good foundation for B2C sports population consumption in the future.

II. Wisdom Program & Branding

The segment of Wisdom Program & Branding derives its revenue from TV program production and distribution and advertising business. The advertising industry itself was a highly cyclical industry, greatly affected by fluctuation of the overall economic cycle. The figures in the Group's annual reports in 2013 and 2014 could also show that the income and profit contribution of the business sector showed a downward trend. In 2015, the economy of China was under downturn pressure, and the market has seen an overall reduction in advertising spending budgets. Such budget reduction also intensified market competition in the advertising industry, thus having a negative impact on the conventional advertising industry.

The Group's management made good planning before action. The Group actively carried out business restructuring after the Listing and extended the sports and industry chain as the Group's future overall development strategy layout. Meanwhile, the Group changed its name to Wisdom Sports Group in September 2015, further indicating the correct managerial judgment on traditional advertising market trends. In 2015, the Group renewed its exclusive advertising rights in respect of five programs, including "Oriental Horizon (《東方時空》)", "World Express (《國際時訊》)", "News Weekly (《新聞周刊》)", "World Weekly (《世界周刊》)" of the CCTV News Channel and "Treasure Hunt (《尋寶》)" of the CCTV Integrated Channel. Revenue and profit of the Group were better than the industry average level despite of the sharp decline.

In the field of program production, the Group, according to its own development strategy, carried out cyclical adjustment about the original economic, interviews and entertainment programs, and concentrated mainly on research and development and learning of sports programs. Through production and broadcast of the large-scale marathon events of 2015, the Group developed the strength of its own sports broadcasting team, which laid a good foundation for the completion of independent broadcast of sports events.

At the same time, combined with its own and other production experience of big event shows, the Group has effectively attempted to build the platform for the copyright, broadcast and trading of sports programs. Through copyright and implantable resources, it established a good cooperative relationship with a number of conventional media and new media platforms, forming a income patterns of sports media. It further fitted into the international advanced income model of sports events, and formed the framework of the income growth in the field of sports media in the future.

III. Capital

In connection with capital cooperation, in order to expand the layout in the industry chain, the Group independently acquired the equity interest in Beijing Kuawei Lianzhong Sports Development Company Limited (北京跨維聯衆體育發展有限公司). After the acquisition, the operation of 178doing.com (動贏網) was integrated into the Group, which laying a foundation for the launch of Hard Fighting, a platform to provide event organization this year. Meanwhile, the Group also cooperated with Shenzhen Capital Group Co., Ltd. and Wisdom Hongtu Sports Culture Business Fund (Beijing Wisdom Hongtu Cultural Investment Management Center (limited partnership)) in investing in CoolplayClub (北京酷玩部落科技有限公司), which will bring gym room users, outdoor sporting enthusiasts and participants of various events into interaction. Customer combination can be achieved among offline event participants and various sporting groups through online intelligent interactive methods. Leveraging on the Group's superior advantage of offline events and direct user base, online and offline users will be connected into a rapidly growing user base which will help to bring an interactive O2O (Online to Offline) fitness culture into existence.

The year of 2015 represented an important year for the Group's strategic enhancement and business structure adjustment. It was also a year to seize the high-quality resources for sports events and complete layout of industry chain, laying the foundation for long-term rapid growth in the future. The Group took the events operation as the foundation and the core events as the user entry to form the business model with sports marketing, sports service, sports media as the core, which effectively expanded the whole industry chain. The Group also took the development of the 5th basic necessities of life, "Exercise", as its mission and provided more abundant sports service products to the sports population in China.

OUTLOOK OF INDUSTRY AND GROUP

The year of 2016 is the year of sports in conventional meaning, but also a year where the Chinese sports industry can unleash its strength during the Olympic Games for the first time. Following the recent central and local governments' policies in security, health care, insurance and sports rehabilitation, the Chinese sports industry's business environment will become healthier, the sports atmosphere will become stronger, and the sports consumption will definitely grow rapidly. As the 2022 Winter Olympic Games is entering into a more substantive operational phrase, the Summer and Winter Olympic Games will attract more attention to the Chinese sports industry. 2016 is a year which is important to the economic development of our country, and sports industry will shoulder a more important responsibility for the economic development; the central government's attention, local governments' initiatives, society's concern and the public's participation will be the driving forces of the sport industry. The public's participation and consumption will enter into a new phase in history.

The year of 2016 is an important stage for the Group's strategic development in sports. Under the "Sports +" strategy, the Group will take the development of the 5th basic necessity of life, "Exercise" as its mission, and insist on establishing a platform for the Group's services by: laying out the whole industry chain as a platform for the Group's services; focus development on events that draw the most participants, such as road race, basketball, cycling, and winter sports; provide products of professional quality and enhance the quality of the standardised services; and motivate public participation and interests by combining professionalism, participation, entertainment and spectacularity of sporting events. The Group's goal is to develop an international platform and become a forerunner in the Chinese sports industry in 2016.

For event operations, the Group will strive to expand its leading fields in road racing by increasing from five marathons held last year to 35 marathons this year and establishing a series of "One Belt and One Road" marathon events outside of China. In the meantime, the Group will also increase the number of "Season Run" events to 15, accounting for more than half of the road race market in China, which further consolidated the Group's leading position in road racing that successfully replicated the business model of road racing, expanded the scale of revenue and profitability. As an extension of road race, the Group will also hold 75 bicycle races in 31 cities in China in 2016 which is expected to attract six million cycling enthusiasts and contestants from more than 100 countries, which will further enrich the Group's sports product category.

For basketball, the Group will strive to build a platform for the domestic basketball industry. The CBL Basketball League will be held in 12 cities, including Tianjin, Beijing, Chongqing, Qingdao, Shenyang, Changsha, Kunming, Chengdu, Hangzhou, Guangzhou, Shenzhen and Xi'an. In addition to the Urban Elite Challenge and 3v3 King of Land (佔地之王) Tournament in 2016, the "Dream Basketball League", which uses an "Hard Fighting" online platform to provide organization of basketball competitions, will also be officially launched in April. The Group will also hold 3,700 games in 12 cities, where 120 colleges and universities and 2,000 teams are expected to participate in. 200,000 people will be involved in the event-related activities and the events throughout the year will cover 6.5 million people interested in basketball.

In addition, the Group has acquired the four-year (2016–2019) commercial operation right of National Basketball League ("NBL") in the competitive bidding at the beginning of 2016. As one of the three national leagues (CBA, WCBA and NBL) sponsored by the Chinese Basketball Association, NBL consists of regular seasons, playoffs and finals and all-star weekend (including all-star rookie challenge, all-star game and their individual competitions, such as slum dunk, three-point contest, and skills challenge). Beijing Enbiou Sports Management Co., Ltd (北京恩彼歐體育管理有限公司) is the independent legal entity, and 100% equity interest of which is held by all clubs participating in NBL ("Associate"). As the NBL representative, the Associate is entitled to handle all rights and interests related to NBL independently. The Group has not only acquired the exclusive commercial exploitation right of NBL, but also became the single largest shareholder of the Associate by holding 20% equity interest in the Associate. Through the equity and business cooperation, the Group has conducted commercial rights development and system design in various aspects of NBL to transform it into an entertainment-oriented professional league, including league system, competition time, activity arrangements, and cooperation among club teams. Furthermore, with the resources of NBL professional sports, the Group has made CBL "the only access to professional league for grass-roots basketball enthusiasts", and produced two documentaries named "The Road to Become a Great Master (大師之路)" and one microfilm centering on this theme. The register members are expected to reach to 200,000 on the platform to meet and arrange for races. Furthermore, the Group is going to form a platform with self-owned basketball and entertainment intellectual property right, integrating events operation, sponsor's cooperation, brand promotion, players' brokage and professional training to establish the uni-basketball commercial platform. The project has entered into the final stage at the time being and is about to be launched in the second quarter of 2016.

For winter events, the Group has planned out its overall strategy for 2016. Following China's successful bid to host the 2022 Winter Olympics Games, it has become China's national strategy "encourage the public to participate in winter sports, enhance the competitive level of winter sports, accelerate the development of winter sports industry and promote winter sports to the public. Themed with sports and entailed with culture, cultural promotion should be organised in different kinds and formats and in a vivid manner." In 2016, the Group will focus on comprehensive collaboration with Beijing, the host city of the Winter Olympics Games on winter events, developing international games and cultural exchange activities, launching the "Cultural Exchange Month for Winter Events" together with the Beijing government, and a series of events such as sports games, cultural exchange activities, forum and summer camps, in order to build a series of events that is international and suitable for middle-aged and youngsters with significant industry influence.

For sports service, the Group will continue to provide sports service facilities for its various types of sports games in 2016 in order to create products and services suitable for the current consumers demand. Based on the previous entry fees, registration fees and income from derivative products, the main focus will be on products design and development of business mode in training and sports insurance, launching professional basketball training academy in combination with basketball tournaments, and providing a professional basketball career path for domestic basketball enthusiast. By cooperating with insurance companies, the Group will develop sports health insurance by marketing in various sports games and on online platform, in order to collect C terminal revenue. The Group's large amount of sports games, which cover a large amount of the sporting population, will provide individual consumers with a spending place and cultivate the consumption habits. As a result, it will release the C terminal consumer value and the Group will receive revenue from the public consumption.

For sports media, the Group, based on its prediction on the future development of the traditional advertising market and active market research, has decided not to renew the advertising contracts with five programs of CCTV News Channel and CCTV Integrated Channel, and instead begun to develop production and operation of media programs. In 2015, the Group trained its own program production and broadcasting team which could now complete the production of various types of events and broadcast independently and, therefore, reduced the production costs significantly. In 2016, the cooperation of content and copyrights with traditional outstanding sports channel, where the Group provides content in exchange of airing time, provides a free broadcasting platform for the Group's sporting events such as marathon and basketball and develops a valid profit-making model for programmes copyright. Together with new media and internet copyright content trading and video sharing, it also expands the communication channels for the B terminal productions and provides C terminal users with products services of sports video.

For the Group's management in 2016, the Group will focus on creating regional profit centres, forming an independent regional event operating and sales team in each of Beijing, Shanghai and Guangzhou, in order to create a collective group to serve the clients and hold events, and also train and build the talents and management team of the Group. The Group will also continue to comply with the regulatory requirements and internal control standards for listed Companies, establish internal control and audit department, and effectively control major risks to ensure the standardization and efficiency of the management process. For the Group's talents, the Group will continue to recruit outstanding senior and middle management personnel, and through proper stock and option incentive schemes, accumulate the Group's human resources in order to promote the rapid and sustainable development of the Group.

For capital in 2016, the Group will focus on "four vertical and four horizontal" industrial investments, and carry out domestic and overseas projects within the same industry, merger and acquisitions within the industry. "Four vertical" refers the sports categories that the Group covers, including the four main categories of road race, cycling, basketball, and winter sports. It also includes events operations, sports marketing, integrated communication, data research. The Group will also expand vertically in its industry chain to increase market share and position itself as a leading sports company. "Four horizontal" refers to technology, training, insurance and internet in cross-media and cross-industry. The Group will seek outstanding partners in the industries and cross-invest in these partners, in order to expand the industry and provide diversified products and services for C terminal consumers. Using its own investment platform and Wisdom Hongtu Industry Fund platform, the Group will extend its industry chain system to further enrich its planning for the industry and consolidate its leading position in the industry.

In 2016, through 5,240 games, the Group will cultivate the Chinese sporting population, stimulate public sports spending and promote the development of Chinese sports industry. The Group will also further develop the profit-making model of sports media, sports marketing and sports services. The Group will also ensure that sports will become an integral part of every individual's life in China. "From no movement to exercising, from being dull to being interesting, from individual to family, from exercising to a living condition", the Group will develop exercising to the 5th basic necessity of life, in order to leverage the consumption capacity of China's huge sporting population and assist the sports industry to flourish.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 15.3% to RMB681.4 million for the year ended December 31, 2015 from RMB804.3 million for the year ended December 31, 2014. This decrease was mainly due to a decrease in revenue from Wisdom Program & Branding.

Revenue from Wisdom Events increased by approximately 36.4% to RMB345.3 million for the year ended December 31, 2015 from RMB253.1 million for the year ended December 31, 2014. This increase was mainly due to (i) an increase in revenue from the operation of new sports competitions, such as Charitable Walkathon for the Chinese Dream and Mass Sports Events; and (ii) the increase in revenue from the continued operation of existing events such as "Season Run", the independently developed creative running event, which was held in six cities for the year ended December 31, 2015, as well as marathons, five sessions of which were operated in 2015 compared to two in 2014. Meanwhile, the commercial resources of such events were continuously developed.

Revenue from Wisdom Program & Branding decreased by approximately 39.0% to RMB336.2 million for the year ended December 31, 2015 from RMB551.2 million for the year ended December 31, 2014. This decrease was mainly due to the downturn pressure on China's economy; the market has seen a general reduction in advertising budgets, resulting in the intensified market competition, which has a negative impact on traditional advertising industry.

Cost of Services

The Group's cost of services increased by approximately 16.1% to RMB499.6 million for the year ended December 31, 2015 from RMB430.2 million for the year ended December 31, 2014. This increase was mainly due to the increase in the cost of services from Wisdom Events.

Cost of services for Wisdom Events increased by approximately 77.3% to RMB179.5 million for the year ended December 31, 2015 from RMB101.2 million for the year ended December 31, 2014. This increase was mainly due to the increase in the invested cost followed by an increase in the number of events held and the upgrade and optimization of product.

Cost of services for Wisdom Program & Branding decreased by approximately 2.7% to RMB320.1 million for the year ended December 31, 2015 from RMB329.0 million for the year ended December 31, 2014. This decrease was mainly due to the decrease in the cost of program production.

Gross Profit and Gross Margin

As a result of the above factors, the Group's gross profit decreased by approximately 51.4% to RMB181.9 million for the year ended December 31, 2015 from RMB374.1 million for the year ended December 31, 2014. The gross margin for the Group decreased to 26.7% for the year ended December 31, 2015 from 46.5% for the year ended December 31, 2014. The decrease of the gross profit was mainly due to the decrease in the gross profit from Wisdom Program & Branding. The decrease in the gross margin was due to the decrease in the gross margin of Wisdom Events and that of Wisdom Program & Branding.

As a result of the foregoing changes in revenue and cost of services for Wisdom Events, the gross profit for Wisdom Events increased by approximately 9.2% to RMB165.8 million for the year ended December 31, 2015 from RMB151.9 million for the year ended December 31, 2014. This increase was mainly due to (i) more events and competitions were held in the year of 2015 compared with that in the year of 2014; and (ii) more events and commercial advertising resources were explored which were benefited from more extensive experience in organizing such events. The gross margin for Wisdom Events decreased to 48.0% for the year ended December 31, 2015 from 60.0% for the year ended December 31, 2014. This decrease was primarily due to the increase in the invested cost of the optimization and upgrade of the sporting events.

As a result of the foregoing changes in revenue and cost of services for Wisdom Program & Branding, the gross profit for Wisdom Program & Branding decreased by approximately 92.8% to RMB16.1 million for the year ended December 31, 2015 from RMB222.2 million for the year ended December 31, 2014. The gross margin for Wisdom Program & Branding decreased to 4.8% for the year ended December 31, 2015 from 40.3% for the year ended December 31, 2014. This decrease was mainly due to the downturn pressure on China's economy, the market has seen a general reduction in advertising budgets, resulting in the intensified market competition, which has a negative impact on traditional advertising industry.

Selling and Distribution Expenses

The Group's selling and distribution Expenses increased by approximately 164.2% to RMB81.5 million for the year ended December 31, 2015 from RMB30.8 million for the year ended December 31, 2014. This increase was mainly due to the increase of the related promotion expense which was intended to improve the Group's brand influence.

General and Administrative Expenses

The Group's general and administrative expenses increased by approximately 37.1% to RMB62.3 million for the year ended December 31, 2015 from RMB45.4 million for the year ended December 31, 2014. This increase was mainly due to the increased fee of professional consulting services resulting from the Group's strategic development.

Other Income

The Group's other income decreased by approximately 14.9% to RMB6.2 million for the year ended December 31, 2015 from RMB7.3 million for the year ended December 31, 2014. This decrease was primarily due to the decrease of rental income.

Other Gains, Net

The Group's other gains, net decreased by approximately 55.9% to RMB22.5 million for the year ended December 31, 2015 from RMB51.2 million for the year ended December 31, 2014. This decrease was mainly due to the decrease in the tax refund from the governmental body along with the decrease in the tax payables subject to the year of 2015.

Finance Income, Net

The Group's finance income, net decreased by approximately 46.9% to RMB7.6 million for the year ended December 31, 2015 from RMB14.3 million for the year ended December 31, 2014. This decrease was mainly due to the decrease in the interest income arising from bank deposits.

Profit Before Income Tax

As a result of the foregoing, the Group's profit before income tax decreased by approximately 79.9% to RMB74.5 million for the year ended December 31, 2015 from RMB370.6 million for the year ended December 31, 2014.

Income Tax Expense

The Group's income tax expense decreased by approximately 74.4% to RMB23.7 million for the year ended December 31, 2015 from RMB92.6 million for the year ended December 31, 2014. This decrease was mainly due to the decrease in the taxable profit from domestic companies of the Group.

The Group's effective tax rate for the year ended December 31, 2014 was approximately 25.0%, compared to approximately 31.8% for the year ended December 31, 2015. This change was primarily due to the expense incurred from the offshore company in the year of 2015 which was not available for the purpose of tax deduction.

Profit

As a result of the foregoing, the Group's profit decreased by approximately 81.7% to RMB50.8 million for the year ended December 31, 2015 from RMB278.0 million for the year ended December 31, 2014. The Group's net profit margin decreased from 34.6% for the year ended December 31, 2014 to 7.5% for the year ended December 31, 2015.

Cash Flows

As at December 31, 2015, the Group's cash and cash equivalents amounted to RMB522.3 million compared with that of RMB598.5 million as at December 31, 2014. Aside from the deposits placed with state-owned banks and commercial banks with good reputation, the Group purchased principal-guaranteed, short-term and low risk financial products so as to ensure the security and value of the capital. Such products were offered and guaranteed by banks with good reputation. The principal of such products will be fully refunded upon maturity. All terms of such products are less than three months while some of the products can be redeemed at any time. The annualized rate of return ranged from 3.3% to 5.3%. The Group takes a prudent approach in selecting financial products.

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

	For the year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Net Cash (used in)/generated from operating activities	**(48,725)**	65,580
Net cash generated from/(used in) investing activities	**124,650**	(134,323)
Net cash used in financing activities	**(152,440)**	(153,271)
Net decrease in cash and cash equivalents	**(76,515)**	(222,014)
Cash and cash equivalents at the beginning of the year	**598,486**	819,933
Foreign exchange gains of cash and cash equivalants	**288**	567
Cash and cash equivalents at the end of the year	**522,259**	598,486

Net Cash Used in/Generated from Operating Activities

Net cash generated from operating activities amounted to approximately RMB65.6 million for the year ended December 31, 2014, while net cash used in operating activities amounted to approximately RMB48.7 million for the year ended December 31, 2015. The change was mainly attributable to i) the decrease of profit before income tax; and ii) the payment of income tax in 2015, which was accrued in 2014.

Net Cash Generated from/Used in Investing Activities

Net cash used in investing activities amounted to approximately RMB134.3 million for the year ended December 31, 2014, while net cash generated from investing activities amounted to approximately RMB124.7 million for the year ended December 31, 2015. The change was mainly attributable to (i) cash inflow generated from the redemption of the principal and the interest of principal guaranteed products with low risk which was purchased from commercial banks and large financial institutions with good reputation; and (ii) cash outflow of the first contribution to the establishment of Wisdom Hongtu Fund.

Net Cash Used in Financing Activities

Net cash used in financing activities decreased to approximately RMB152.4 million for the year ended December 31, 2015 from approximately RMB153.3 million for the year ended December 31, 2014. This capital was mainly used in the payment of dividend which was approved by the general meeting.

Working Capital

The Group's net current assets decreased by approximately 11.4% to RMB1,030.5 million for the year ended December 31, 2015 from RMB1,162.5 million for the year ended December 31, 2014. Despite a decrease in the net current assets, the Group maintained its working capital at a relatively high level that can meet the working capital requirements and support the business development.

Capital Expenditure

The total spending on the acquisition of property, plant and equipment amounted to RMB3.3 million for the year ended December 31, 2015 (For the year ended December 31, 2014: RMB4.2 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 centralized and cash is generally deposited with banks and denominated mostly in RMB. As at December 31, 2015, the Group had net current assets of RMB1,030.5 million (December 31, 2014: RMB1,162.5 million), of which cash and cash equivalents amounted to RMB522.3 million (December 31, 2014: RMB598.5 million).

The Group adopts a prudent approach in treasury management, ensuring that the Group maintains strong reserves of cash to finance its daily operations and future developments.

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

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 for some of the clients in practice. Such extension of credit periods is granted on a case-by-case basis and not set forth in the payment terms in the agreements with relevant clients. The Group will continue to monitor the payment progress of these clients and take appropriate measures as to the collection of trade and notes receivables based on the Group's assessment and ongoing communications with the clients.

The Group has not experienced any material impact or effects on its operations or liquidity as a result of fluctuations in currency exchange rates for the year ended December 31, 2015, and the Group has not used any financial instruments for hedging purposes as the risk of exposure to fluctuations in exchange rates is comparatively low.

FINANCIAL RATIO

Financial ratio	As at December 31, 2015	As at December 31, 2014
Current ratio	**1,873.8%**	989.7%
Gearing ratio	**N/A**	N/A

Notes:

(1) Current ratio represents a ratio of current assets to current liabilities.

(2) Gearing ratio is calculated as net debt (total bank borrowings less cash and cash equivalents) divided by total equity. The gearing ratio is not applicable to the Group as it had no bank borrowings as at December 31, 2014 and December 31, 2015.

CHARGE ON ASSETS

As at December 31, 2015, there was no charge on the Group's assets.

CONTINGENT LIABILITIES

As at December 31, 2015, the Company had no material contingent liabilities.

CAPITAL STRUCTURE OF THE GROUP

The reorganization of the Company and the subsidiaries of the Company as set out in the prospectus of the Company dated June 28, 2013 (the "**Prospectus**") was completed on June 24, 2013. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on July 11, 2013. On August 7, 2013, the Company issued an additional 9,045,000 ordinary shares at the offer price of HK$2.11 each to the public upon the partial exercise of the over-allotment option. The options to subscribe for a total of 1,210,000 shares of the Company were granted on May 23, 2014 to employees of the Group and the options to subscribe for a total of 2,500,000 shares of the Company were granted on May 29, 2015 to employees of the Group. As at the date of this announcement, no option has been exercised. Save for the above, there was no alternation in the capital structure of the Group for the year ended December 31, 2015.

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

Reference is made to the announcement dated October 28, 2014 of the Company. As at December 31, 2015, Beijing Wisdom Media Holding Co., Ltd. has invested RMB30 million to Wisdom Hongtu Fund. Save as disclosed in this announcement, for the year ended December 31, 2015, the Company has no material investment, material acquisition and disposal of subsidiaries. Save as disclosed in this announcement, the Company has no specific plans for material investment or acquisition of material capital asset in the future.

USE OF PROCEEDS FROM LISTING

The net proceeds from issue of new shares of the Company in its global offering and the partial exercise of over-allotment option (after deducting the underwriting fees, capitalized professional services fees and related expenses) amounted to approximately RMB635.9 million, which are intended to be applied in the manner as disclosed in the Prospectus of the Company dated June 28, 2013 in respect of the global offering of its shares. As at December 31, 2015, part of the proceeds has been applied as follows:

The proceeds of RMB290 million raised through the Listing has been used for the registered capital of Wisdom Culture (Zhejiang) Co., Ltd. (智美文化（浙江）有限公司) (whose name was changed to Wisdom Events Operation and Management (Zhejiang) Co., Ltd. (智美賽事營運管理(浙江)有限公司) on March 30, 2015). Such company is mainly engaged in organizing sports competitions and related events, the development of sports related products, brand promotion and communications services. The remaining net proceeds from the Listing will be used for the suggested purposes as set out in the section headed “Use of Proceeds” of the Prospectus.

DIVIDENDS

No interim dividend was paid by the Company for the period ended June 30, 2015. The Board does not recommend any payment of final dividend for the year ended December 31, 2015.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended December 31, 2015.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles/code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The Board is of the view that for the year ended December 31, 2015, the Company has complied with the code provisions as set out in the CG Code, save and except for code provision A.2.1. Details are set out below.

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

During the period from January 1, 2015 to March 24, 2015, Ms. Ren Wen, who acts as the chairlady of the Board and an executive Director, was also the president of the Company, responsible for overall management and formulation of business strategy of the Group. The Board meets from time to time to consider major matters affecting the operations of the Group. The Board considers that this structure does not impair the balance of power and authority between the Board and the management of the Group.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transaction by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the Model Code for the year ended December 31, 2015.

The Company has also established written guidelines no less exacting than the Model Code (the "**Employees Written Guidelines**") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company for the year ended December 31, 2015.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") in compliance with Rule 3.21 of the Listing Rules and with terms of reference aligned with the code provision C.3 of the CG Code as set out in Appendix 14 to the Listing Rules for the purpose of reviewing and providing supervision on the financial reporting process and the review of the risk management and internal control systems of the Group as well as the effectiveness of the internal audit function of the Group. The Audit Committee comprises three members, two being independent non-executive Directors and one being a non-executive Director, namely, Mr. Wei Kevin Cheng, as its Chairman, Mr. Jin Guoqiang and Mr. Xu Jiongwei.

The Audit Committee met with the external auditor of the Company to discuss the review process and accounting issues of the Audit Committee. The Audit Committee, together with management of the Company, has reviewed the audited consolidated financial statements for the year ended December 31, 2015 of the Group and considers it in compliance with generally accepted accounting principles as well as laws and regulations.

AUDITOR

PricewaterhouseCoopers has acted as auditor of the Company for the year ended December 31, 2015. The Company has not changed its external auditor since its Listing in July 2013 and up to the date of this announcement.

PricewaterhouseCoopers shall retire at the forthcoming annual general meeting ("**AGM**") and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at the AGM.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the preliminary announcement of the Group's results for the year ended December 31, 2015 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

POST BALANCE SHEET EVENTS

Wisdom Events Operation and Management (Zhejiang) Co., Ltd. (智美賽事營運管理(浙江)有限公司) ("**Wisdom Events Operation**") has entered in to an agreement with Beijing Enbiou Sports Management Co., Ltd. (北京恩彼歐體育管理有限公司) ("**NBL Company**") in March 2016 to acquire 20% of shares in NBL Company and obtain exclusive commercial rights of the 2016–2019 NBL without geographic limitation. Save as disclosed above, there is no occurrence of events that had a significant impact on the Group's operation, financial and trading prospects since December 31, 2015 to the date of this announcement.

CLOSURE OF SHARE REGISTER OF MEMBERS

The AGM is expected to be held on Tuesday, May 24, 2016. In order to determine the shareholders who will be qualified for attending and voting at the AGM, the register of members of the Company will be closed from Saturday, May 21, 2016 to Tuesday, May 24, 2016, both days inclusive. All completed transfer documents together with the relevant share certificate(s) must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, May 20, 2016 for registration.

PUBLICATION OF CIRCULAR AND ANNUAL REPORT

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

The annual report of the Company for the year ended December 31, 2015 will be despatched to the shareholders and published on the Stock Exchange's website (http://www.hkex.com.hk) and the Company's website (http://www.wisdom-china.cn) in due course.

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

Hong Kong, March 31, 2016

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