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 31 DECEMBER 2016

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 31 December 2016 as follows:

FINANCIAL HIGHLIGHTS

In 2016, the Company's profit for the year increased by 83.9% to RMB93.4 million. During which revenue from Wisdom Event increased substantially to RMB445.2 million, an increase of 28.9% when compared against that of 2015. Revenue from sports events increased significantly, accounting for 92.6% of total revenue.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Year ended 31 December 2016 RMB'000	2015 RMB'000
Revenue	3	**480,910**	681,429
Cost of services		**(307,617)**	(499,574)
Gross profit		**173,293**	181,855
Selling and distribution expenses		**(26,498)**	(81,450)
General and administrative expenses		**(57,842)**	(58,218)
Other income		**29,104**	27,727
Other gains and losses	4	**8,729**	(6,088)
Finance income		**4,269**	10,638
Share of result of an associate		**235**	—
Share of result of a joint venture		**3,786**	—
Profit before income tax		**135,076**	74,464
Income tax expense	5	**(41,713)**	(23,671)
Profit for the year		**93,363**	50,793
Profit attributable to owners of the Company		**93,363**	50,793
Total comprehensive income attributable to owners of the Company		**93,363**	50,793
Earnings per share attributable to owners of the Company			
Basic earnings per share	6	**RMB0.06**	RMB0.03
Diluted earnings per share	6	**RMB0.06**	RMB0.03

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	Notes	As at 31 December 2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**22,970**	10,615
Investment property		**19,472**	20,732
Goodwill		**105**	105
Intangible assets		**3,855**	4,218
Available-for-sale investments		**39,000**	36,000
Long-term receivables		**204,017**	—
Other receivables	*8*	**51,052**	—
Interest in an associate		**5,835**	—
Interest in a joint venture		**31,286**	—
		377,592	71,670
Current assets			
Trade and bills receivables	*7*	**219,087**	334,871
Tax recoverable		**—**	13,244
Other receivables	*8*	**107,453**	112,265
Prepayments and other current assets	*9*	**119,941**	99,391
Financial assets at fair value through profit or loss		**—**	6,563
Cash and cash equivalents		**524,450**	522,259
		970,931	1,088,593
Total assets		**1,348,523**	1,160,263
EQUITY			
Equity attributable to owners of the Company			
Share capital		**2,479**	2,479
Share premium	*10*	**337,352**	337,352
Reserves	*10*	**125,926**	123,802
Retained earnings		**731,723**	638,536
Total equity		**1,197,480**	1,102,169

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

		As at 31 December	
	Notes	**2016**	2015
		RMB'000	*RMB'000*
LIABILITIES			
Current liabilities			
Trade payables	*11*	**113,285**	33,932
Other payables and accrued expenses		**19,399**	15,444
Advance from customers		**8,637**	8,718
Tax payables		**9,722**	—
		151,043	58,094
Total liabilities		**151,043**	58,094
Total equity and liabilities		**1,348,523**	1,160,263
Net current assets		**819,888**	1,030,499
Total assets less current liabilities		**1,197,480**	1,102,169

1. GENERAL INFORMATION

Wisdom Sports Group (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (2012 Revision) of the Cayman Islands on 21 March 2012 and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its ultimate controlling party is Ms. Ren Wen, who is also the Chairlady of the Board and President of the Company. 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**").

These consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated. RMB is also the functional currency of the Company.

These consolidated financial statements have been approved for issue by the Board of Directors on 28 March 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance (the "**CO**").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 31 December 2016 and 2015 is as follows:

	Wisdom Events	**Wisdom Program and Branding**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Revenue	**445,158**	**35,752**	**480,910**
Cost of services	**(278,106)**	**(29,511)**	**(307,617)**
Gross profit	**167,052**	**6,241**	**173,293**
Selling and distribution expenses			**(26,498)**
General and administrative expenses			**(57,842)**
Other income			**29,104**
Other gains and losses			**8,729**
Finance income			**4,269**
Share of result of an associate			**235**
Share of result of a joint venture			**3,786**
Income tax expense			**(41,713)**
Profit for the year			**93,363**

	Wisdom Events	Wisdom Program and Branding	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue	345,275	336,154	681,429
Cost of services	(179,472)	(320,102)	(499,574)
Gross profit	165,803	16,052	181,855
Selling and distribution expenses			(81,450)
General and administrative expenses			(58,218)
Other income			27,727
Other gains and losses			(6,088)
Finance income			10,638
Income tax expenses			(23,671)
Profit for the year			50,793

No segment assets or liabilities information is provided as the Chief Executive Officer does not review this information for the purpose of resources allocation and assessment of segment performance.

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.

4. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Fair value gains on financial assets at FVTPL	**—**	1,330
Allowance for impairment of trade receivables	**(14,099)**	—
Allowance for impairment of other receivables	**(327)**	(4,100)
Exchange gains (losses)	**460**	(2,998)
Gain on disposal of a subsidiary	**28,000**	—
Loss on disposal of property, plant and equipment	**(603)**	—
Others	**(4,702)**	(320)
	8,729	(6,088)

5. INCOME TAX EXPENSE

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Tax charge comprises:		
PRC Corporate Income Tax		
— current year	**41,713**	22,704
— deferred tax	**—**	967
	41,713	23,671

(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 31 December 2016 (2015: nil).

(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 1 January 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 1 January 2008. For qualified investors incorporated in Hong Kong, a treaty rate of 5% will be applied.

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**93,363**	50,793

	Year ended 31 December	
	2016	2015
	000	*000*
Weighted average number of shares:		
Number of ordinary shares for the purpose of basic and diluted earnings per share	**1,609,045**	1,609,045

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those share options was higher than the average market price for shares for the year ended 31 December 2016.

7. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade receivables (a)	**233,186**	297,489
Bills receivables	**—**	37,382
Less: allowance for impairment of trade receivables	**(14,099)**	—
	219,087	334,871

The carrying amounts of trade and bills receivables approximate their fair values.

(a) The following is an aged analysis of trade receivables, net of allowance for doubtful debts presented based on the trade dates.

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Within 1 month	**89,213**	70,467
1 to 3 months	**42,475**	79,792
4 to 6 months	**36,652**	12,982
7 to 12 months	**7,483**	104,493
1 to 2 years	**39,264**	21,063
Over 2 years	**4,000**	8,692
	219,087	297,489

8. OTHER RECEIVABLES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Government grants receivables	**25,668**	36,349
Deposits with media companies and event organisation companies	**78,997**	66,723
Advance to employees	**1,652**	7,574
Lease and other deposits	**6,551**	3,519
Interest receivable	**—**	88
Consideration receivable for disposal of a subsidiary	**26,600**	—
Amount due from TYCG	**9,218**	—
Amount due from related companies	**10,077**	—
Others	**4,169**	2,112
Less: allowance for impairment of other receivables	**(4,427)**	(4,100)
	158,505	112,265
Less: non-current portion	**(51,052)**	—
Current portion	**107,453**	112,265

9. PREPAYMENTS AND OTHER CURRENT ASSETS

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Prepayment for media resources	**76,067**	81,206
Prepayment for sport competition and event organisation expenses	**21,304**	5,890
Prepaid lease and property management fees	**5,497**	5,274
Value-added tax credit	**14,047**	5,049
Others	**3,026**	1,972
	119,941	99,391

10. SHARE PREMIUM AND RESERVES

	Share Premium Total
	RMB'000
At 1 January 2015	486,993
Dividends recognised as distribution	(149,641)
At 31 December 2015 and 2016	337,352

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.

Reserves

	Statutory reserves *RMB'000*	Other reserves *RMB'000*	AFS investments revaluation reserves *RMB'000*	Share-based payments reserves *RMB'000*	Total *RMB'000*
At 1 January, 2015	39,372	81,902	—	539	121,813
Statutory reserves appropriation	192	—	—	—	192
Share-based payments	—	—	—	1,797	1,797
At 31 December 2015	39,564	81,902	—	2,336	123,802
Statutory reserves appropriation	176	—	—	—	176
Share-based payments	—	—	—	1,948	1,948
Other comprehensive income for the year	—	—	—	—	—
At 31 December 2016	39,740	81,902	—	4,284	125,926

11. 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 31 December	
	2016	2015
	RMB'000	*RMB'000*
Within 1 month	**65,011**	16,957
1 to 3 months	**9,995**	15,984
4 to 6 months	**16,908**	139
7 to 12 months	**13,486**	—
Over 12 months	**7,885**	852
	113,285	33,932

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

12. DIVIDENDS

No dividend was paid in 2016 (2015: RMB149,641,000) as no final dividend was proposed to distribute in respect of the year ended 31 December 2015. No dividend in respect of the year ended 31 December 2016 is to be proposed at the annual general meeting in 2017.

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Proposed final dividend	**—**	—
	—	—

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP OVERVIEW

The Group is engaged in the business of operating road-races, mass sports events etc. and has established strategic cooperation with various provincial and municipal sports authorities in China. Adhering to the strategic changes in 2015, the Group strengthened efforts in exploiting sports industry platform strategy in 2016, set the goal of connecting human sporting genes, continued to deepen the layout for its sports industry-chain and intensified cooperation with other industry platforms to utilize its core strengths in the area of population, data and consumption of road-race projects to provide different consumer options for the massive sports-enthusiasts. Centering on population, consumption and data, the Group extended its positioning in the four segments covering event management, sports marketing, sports services, and brand media in the field of sports. In the meantime, the Group accelerated its operating-platform expansion through integrating of excellent talents, high-end technologies and increased business investment.

The road-race project platform mainly focused on the organization of marathon events, commercial operations, runner services and audio-visual production. Commencing from 2016, the Group started to implement the 2016–2019 marathon industry-wide development strategy and focused on producing international IP events, national-level IP events, city-level IP events and recreational IP events to provide consumption, population and data support for its diversified marathon segments and products so as to successfully upgrade the overall strategy of the road-race segment. The Group has also succeeded in its bid to host the "One Belt and One Road" marathon series sponsored by the Chinese Athletic Association, using the marathon series to promote sports and cultural exchanges among domestic and international cities surrounding the "One Belt and One Road" zone and to enhance the Group's international branding and China's athletic development. In November 2016, the Chinese Athletic Association and the Group jointly announced the signing of a memorandum of cooperation with the relevant authorities of Malaysia to include Malaysia in the series as the first move to launch the series internationally. At the 85th Council of Asian Athletics Association held in October 2016, Wisdom Competition Operation Management (Zhejiang) Co., Ltd. (智美賽事運營管理(浙江)有限公司), a wholly-owned subsidiary of the Group, has obtained the development, organization and operation rights of the 16th Asian Marathon Championship in 2017 and the 17th Asian Marathon Championship in 2019. The Group also entered into a strategic partnership with the government of Shizuoka Prefecture, Japan. According to the five-year strategic cooperation agreement signed in October 2016, the two parties will conduct sports cultural exchanges and cooperation in China and Shizuoka Prefecture, Japan and carry out the development of sports events and sports tourism projects.

Moreover, recreational road-race events such as the independent IP event "Season Run" will actively explore new markets in the area of sports marketing, and will form multi-field linkage and multi-city coverage with reputable enterprises to offer a broader B2B (Business to Business) market for the Group. With regard to B2C (Business to Customer) business, the Group will continue to promote profoundly the road-race training-camps and to constantly enrich and optimize the product structure in the road-race market, satisfying the advanced needs of the runners.

In addition to the operation of events, the Group also deployed the subsequent development of sports services. Sports events such as marathon can gather the maximum number of participants to provide a large participant-database, and to derive relevant sports services and products such as sports insurance and destination-tourism projects for domestic and international events.

BUSINESS REVIEW

I. Wisdom Events

The main business of the Group is Wisdom Events segment which mainly includes the operation of sports tournaments and events. The main revenues were derived from marketing activities involving both customers and consumers, namely, title sponsorships, general sponsorships and advertising incomes paid by brand customers, enrolment fees, admission fees and sale of products and services to consumers.

The year of 2016 witnessed the continuing development of the Group in the field of professional road-races. The Group fully excelled in the organization of marathon events: ensured a high quality-standard of the events, implemented uniform standards for procurement, improved health-care assurance and established media facilities. The Group successfully operated more than ten major marathon events in Guangzhou, Shenzhen, Hangzhou, Bao'an (Shenzhen), Shenyang, Dongguan, Jilin and Hainan. Among them, the Group obtained the right to operate Shenzhen International Marathon through successful bidding in 2016.

In addition to the sustainable development of the road-race segment, the Group also achieved a good result in other segments in 2016. The Group obtained the four-year (2016–2019) commercial right of the National Basketball League ("**NBL**") (one of the three professional basketball leagues in China) and acquired 20% equity interest in the league-management company, Beijing Enbiou Sports Management Co., Ltd. (北京恩彼歐體育管理有限公司), to become its single largest shareholder. There were 14 participating clubs in the 2016 season, and CCTV live-telecasted the NBL matches. The Group also carried out platform-cooperation in the field of basketball as the Group reached strategic marketing cooperation with No. 1 Sports Entertainment (Shenzhen) Co., Ltd. (第一體育娛樂（深圳）有限公司) to safeguard the Group's revenue and profit. Revenue in 2016 also include income from mass sports events held in municipal areas.

In 2016, China's economy entered into a phase of slower growth compared with the rapid growth in the past. As a result, most brands and traditional advertisers reduced their resources investment in sporting events and this was particularly evident in the second half of 2016. In the light of the aforesaid, the Group's revenue from marketing sponsorship was encouraging. Gross profit was also satisfactory despite extra costs incurred as the Group consistently commits to operating marathon events at high standards with safety racing, professional services and excellent media coverage to ensure high brand value and sustainable development.

II. Wisdom Program & Branding

The Group's other business is Wisdom Program & Branding segment business. The revenues were derived from TV program production, distribution and advertising business. Given the overall economic slowdown of China, the traditional advertising industry has suffered a tremendous set-back. The Group's management conducted an in-depth discussion, analysis and judgment of the market, made a systematic deployment on the sports industry platform according to its own strategy, made a determined decision to forgo the renewal of the advertising contracts for traditional columns with CCTV and started to explore sports advertising business instead.

OUTLOOK OF THE INDUSTRY AND THE GROUP

In July 2016, the General Administration of Sport of China officially issued the "'13th Five-Year' Plan for the Development of Sports Industry" which made detailed description and deployment between the five major aspects covering forthcoming trend: general requirements, major tasks, key industries, key measures and development basis of China's sports industry. The expansion of the sports industry to reach the periodical target of RMB3 trillion in the "13th Five-Year" Plan Period has become a policy for China's sports industry. The operation of the China's sports industry has been liberalized and even globalized and simultaneously, a high degree of commercialization will also be the general trend. This undoubtedly coincides with the Group's development strategies and goals and it is conducive to the rapid business development of the Group on the existing platform.

The sports sector is a huge industry, which consists of events, equipment, related services and so on. Events are undoubtedly the core of the sports industry. Events participation and game watching are the original sources of motivation for people to enjoy sports. Hence only mastering the professional events can gather consumers and only forming a certain scale of sporting mass can introduce enough consumption power into other fields. As the Group has become a professional organization for successful operation of the most number of large-scale marathon events in China, the Group is well positioned to explore opportunities in other fields.

In 2017, the Group will establish a complete industry chain of sports events, sports tourism, and sports health etc. based on marathon events and will provide more comprehensive industrial chain services for the accumulated consumer groups. The Group will invest more resources on the development of sports tourism, trade and ancillary sports products. The Group entered into a Joint Venture Agreement with Circlic Interactive Tourism Sdn. Bhd., a non-wholly owned subsidiary of Salcon Berhad (a Malaysian listed company), on 27 February, 2017 to jointly hold and operate Belt and Road Marathon Majors in Malaysia. The joint venture is an important part of the Group's expansion in the sports tourism segment. Regarding city events to be held in China, the Group has, apart from over ten signed major events, entered into an agreement with Changchun Municipality Sports Administration of Jilin Province in March 2017 to organize the Changchun International Marathon and, in the mean time, the Group has also successfully won the bid of Rongcheng International Marathon of Shandong Province, of which both events were awarded with exclusive operation right.

The Group will also proactively seek opportunities in other major sports events in China and abroad. As a result, the Group will restructure some of its businesses to release funds for the Group's significant development when suitable investment opportunities arise.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 29.4% to RMB480.9 million for the year ended 31 December 2016 from RMB681.4 million for the year ended 31 December 2015. This decrease was mainly due to a decrease in revenue from Wisdom Program & Branding.

Revenue from Wisdom Events increased by approximately 28.9% to RMB445.2 million for the year ended 31 December 2016 from RMB345.3 million for the year ended 31 December 2015. This increase was mainly due to (i) revenue from the sales of commercial rights of mass sports competitions; (ii) the increase in revenue from the operation of marathon events; and (iii) revenue from the NBL commercial right obtained.

Revenue from Wisdom Program & Branding decreased by approximately 89.4% to RMB35.8 million for the year ended 31 December 2016 from RMB336.2 million for the year ended 31 December 2015. This decrease was a result of the Group's change in strategy in not lying on traditional advertising business as its core business.

Cost of Services

The Group's cost of services decreased by approximately 38.4% to RMB307.6 million for the year ended 31 December 2016 from RMB499.6 million for the year ended 31 December 2015. This decrease was mainly due to the decrease in the cost of services from Wisdom Program & Branding.

Cost of services for Wisdom Events increased by approximately 54.9% to RMB278.1 million for the year ended 31 December 2016 from RMB179.5 million for the year ended 31 December 2015. This increase was mainly due to the increase in the invested cost resulting from an increase in the number of events held and the upgrade of product offerings.

Cost of services for Wisdom Program & Branding decreased by approximately 90.8% to RMB29.5 million for the year ended 31 December 2016 from RMB320.1 million for the year ended 31 December 2015. This decrease was mainly due to the decrease in the advertising business.

Gross Profit and Gross Margin

As a result of the above factors, the Group's gross profit decreased by approximately 4.7% to RMB173.3 million for the year ended 31 December 2016 from RMB181.9 million for the year ended 31 December 2015. The gross profit margin for the Group increased to 36.0% for the year ended 31 December 2016 from 26.7% for the year ended 31 December 2015. The decrease of the gross profit was mainly due to the decrease in the gross profit from Wisdom Program & Branding. The increase in the gross profit margin was due to the increase in the gross profit margin of Wisdom Events.

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 0.8% to RMB167.1 million for the year ended 31 December 2016 from RMB165.8 million for the year ended 31 December 2015. This increase was mainly due to more events and competitions recorded in the year of 2016 compared with that in the year of 2015 but additional resources were also incurred in raising the safety quality of the events. The gross profit margin for Wisdom Events decreased to 37.5% for the year ended 31 December 2016 from 48.0% for the year ended 31 December 2015. This decrease was primarily due to the increase in the invested cost of the optimization and upgrade of the marathon 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 61.5% to RMB6.2 million for the year ended 31 December 2016 from RMB16.1 million for the year ended 31 December 2015. The gross profit margin for Wisdom Program & Branding increased to 17.3% for the year ended 31 December 2016 from 4.8% for the year ended 31 December 2015. This change was mainly due to the down-sizing of the Group's traditional advertising business.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by approximately 67.5% to RMB26.5 million for the year ended 31 December 2016 from RMB81.5 million for the year ended 31 December 2015. This decrease was mainly due to the decrease of the related promotion and staffing expenses as a result of the scale-down of Wisdom Program & Branding.

General and Administrative Expenses

The Group's general and administrative expenses decreased by approximately 0.7% to RMB57.8 million for the year ended 31 December 2016 from RMB58.2 million for the year ended 31 December 2015. This decrease was mainly due to cost-saving measures taken in the administrative area.

Other Income

The Group's other income increased by approximately 5.1% to RMB29.1 million for the year ended 31 December 2016 from RMB27.7 million for the year ended 31 December 2015. This increase was primarily due to the increase of investment income from financial assets.

Other Gains

The Group's other gains increased by approximately 242.6% to RMB8.7 million for the year ended 31 December 2016 from the loss of RMB6.1 million for the year ended 31 December 2015. This increase was mainly due to the gain on disposal of a subsidiary.

Finance Income

The Group's finance income decreased by approximately 59.4% to RMB4.3 million for the year ended 31 December 2016 from RMB10.6 million for the year ended 31 December 2015. This decrease was mainly due to the decrease in the interest income from bank deposits.

Profit Before Income Tax

As a result of the foregoing, the Group's profit before income tax increased by approximately 81.3% to RMB135.1 million for the year ended 31 December 2016 from RMB74.5 million for the year ended 31 December 2015.

Income Tax Expense

The Group's income tax expense increased by approximately 75.9% to RMB41.7 million for the year ended 31 December 2016 from RMB23.7 million for the year ended 31 December 2015. This increase was mainly due to the increase in taxable profit.

The Group's effective tax rate for the year ended 31 December 2015 was approximately 31.8%, compared to approximately 30.9% for the year ended 31 December 2016. This change was primarily due to an improved tax-planning.

Profit

As a result of the foregoing, the Group's profit increased by approximately 83.9% to RMB93.4 million for the year ended 31 December 2016 from RMB50.8 million for the year ended 31 December 2015. The Group's net profit margin increased from 7.5% for the year ended 31 December 2015 to 19.4% for the year ended 31 December 2016.

Cash Flows

As at 31 December 2016, the Group's cash and cash equivalents amounted to RMB524.5 million compared with that of RMB522.3 million as at 31 December 2015.

Working Capital

The Group's net current assets decreased by approximately 20.4% to RMB819.9 million for the year ended 31 December 2016 from RMB1,030.5 million for the year ended 31 December 2015. Despite a slight decrease in the net current assets, the Group maintained its working capital at a high level that can fully 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 RMB16.5 million for the year ended 31 December 2016 (for the year ended 31 December 2015: RMB3.3 million).

CHARGE ON ASSETS

As at 31 December 2016, there was no charge on the Group's assets.

CONTINGENT LIABILITIES

As at 31 December 2016, 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 28 June 2013 (the "**Prospectus**") was completed on 24 June 2013. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 11 July 2013. On 7 August 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 23 May 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 29 May 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 31 December 2016.

DIVIDENDS

No interim dividend was paid by the Company for the period ended 30 June 2016. The Board does not recommend any payment of final dividend for the year ended 31 December 2016.

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 during the year ended 31 December 2016.

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 31 December 2016, 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 1 January 2016 to 7 April 2016, Dr. Shen Wei, an executive Director, was the president of the Company. Since 7 April 2016, Dr. Shen Wei ceased to act as the president of the Company and was re-designated as the senior vice president of the Company. Ms. Ren Wen, who acts as the chairlady of the Board and an executive Director, was appointed as the president of the Company.

Ms. Ren Wen is responsible for the implementation of the strategic layout of the Group whilst Dr. Shen Wei is responsible for the operation of stadium related business. The Board meets regularly 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. Executive Directors and the senior management perform separate duties to assist the chairlady and the president. The Board considers that the structure ensures an effective operation of the Group by exercising consolidated and consistent leadership. For details, please refer to the Company's announcement dated 7 April 2016.

The Company understands the importance of compliance with the code provision A.2.1 of the CG Code and will continue to consider the feasibility of compliance with this code provision. 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

The Company has adopted the "Model Code for Securities Transaction by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the Model Code for the year ended 31 December 2016.

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 31 December 2016.

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 for the purpose of reviewing the financial information and providing supervision on the financial reporting system, risk management and internal control systems 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 Company.

The Audit Committee has reviewed together with management the audited consolidated annual results of the Group for the year ended 31 December 2016 and considers it in compliance with generally accepted accounting principles as well as laws and regulations.

AUDITOR

Deloitte Touche Tohmatsu has been appointed as the external auditor of the Company to fill the vacancy immediately arising from the retirement of PricewaterhouseCoopers by an ordinary resolution passed at the annual general meeting held on 28 June 2016.

Deloitte Touche Tohmatsu has acted as auditor of the Company for the year ended 31 December 2016. Save as disclosed above, the Company has not changed its external auditor up to the date of this announcement.

Deloitte Touche Tohmatsu 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 Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the AGM.

EVENTS AFTER THE REPORTING PERIOD

On 10 February 2017, Shenzhen Wisdom Sports Business Co., Ltd. ("**SZWSB**")(深圳智美體育產業有限公司), an indirect wholly-owned subsidiary of the Company, has entered into an Equity Transfer Agreement ("**Transfer Agreement**") with Shenzhen Zhongke Dingtai Business Investment Partnership (LLP) ("**ZKDT**")(深圳市中科鼎泰創業投資合夥企業(有限合夥)), a subsidiary of Suzhou Hesheng Special Material Co., Ltd. (蘇州禾盛新型材料股份有限公司), a PRC company whose stocks are traded on the Shenzhen Stock Exchange (stock code: 002290). Pursuant to the Transfer Agreement, SZWSB has conditionally agreed to sell and ZKDT has conditionally agreed to acquire an indirect wholly-owned subsidiary of the Company, Shenzhen Wisdom Basketball Business Co., Ltd. (深圳智美藍球產業有限公司), which owns exclusive commercial rights for years of 2017 to 2019 NBL at the consideration of RMB116,000,000. The completion shall take place upon certain conditions including industrial and commercial registration of the transfer, full payment of consideration and other conditions as agreed by both parties. For details, please refer to the Company's announcement dated 10 February 2017.

CLOSURE OF SHARE REGISTER OF MEMBERS

The AGM is expected to be held on Thursday, 1 June 2017. 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 Friday, 26 May 2017 to Thursday, 1 June 2017, 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 Thursday, 25 May 2017 for registration.

PUBLICATION OF 2016 ANNUAL RESULTS AND 2016 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.wisdomsports.com.cn), and the 2016 Annual Report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 28 March 2017

As at the date of this announcement, the executive directors of the Company are Ms. Ren Wen, Mr. Zhang Han, Dr. Shen Wei and Mr. Song Hongfei; 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.