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## **WISDOM HOLDINGS GROUP**

智美控股集团

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1661)**

### **UPDATE ANNOUNCEMENT ON STRUCTURED CONTRACTS OF THE GROUP**

Reference is made to the annual report (the “**Annual Report**”) of Wisdom Holdings Group (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended December 31, 2014 published on April 13, 2015. Unless otherwise defined in this announcement, the terms used herein shall bear the same meanings as those defined in the Annual Report.

In addition to the information disclosed in the Annual Report, the Company wishes to provide additional information regarding the Structured Contracts through which certain business activities of the Group are conducted as follows:

#### **Operating entities of the Group controlled through the Structured Contracts**

During the year ended December 31, 2014, the following are operating entities of the Group controlled through the Structured Contracts:

- (i) Beijing Wisdom Media, a limited liability company incorporated in the PRC and principally engaged in production, distribution of TV variety shows and feature films, television program planning, design, production, agency and distributing advertisement, and organisation of cultural and artistic communication events in the PRC;
- (ii) Beijing Car Culture Advertising Co., Ltd (北京智美車文廣告有限公司), a limited liability company incorporated in the PRC and a direct wholly-owned subsidiary of Beijing Wisdom Media, principally engaged in providing advertising services in the PRC;
- (iii) Beijing Xinchuang Branding Co., Ltd (北京新創智力品牌管理有限公司), a limited liability company incorporated in the PRC and a direct wholly-owned subsidiary of Beijing Wisdom Media, principally engaged in providing advertising and related services in the PRC;

- (iv) Beijing Wisdom Leadership Sports Culture Co., Ltd., (北京智美領航體育文化有限公司), a limited liability company incorporated in the PRC and a direct wholly-owned subsidiary of Beijing Wisdom Media, principally engaged in operation of sports events, promotion of technological services, market survey, publication of advertisements and corporate planning; and
- (v) Beijing Wisdom Films Culture Media Co., Ltd (北京智美映畫文化傳媒有限公司), a limited liability company incorporated in the PRC and a direct wholly-owned subsidiary of Beijing Wisdom Media, principally engaged in providing advertising and related services in the PRC.

Beijing Wisdom Leadership Sports Culture Co., Ltd. was de-registered on January 6, 2015. As at the date of this announcement, Beijing Kuawei Lianzhong Sports Development Company Limited (北京跨維聯衆體育發展有限公司), a limited liability company incorporated in the PRC and a direct wholly-owned subsidiary of Beijing Wisdom Media, principally engaged in operation of sports events, organisation of exhibitions and displays and organisation of functions relating to culture and art, is also an operating entity of the Group controlled through the Structured Contracts.

## Registered owners of Beijing Wisdom Media

As at the date of this announcement, the registered shareholders of Beijing Wisdom Media are as follows:

Name of shareholder	Number of shares held	Shareholding percentage
Ren Wen (任文)	31,428,000	52.38%
Shi Libin (史立斌)	5,940,000	9.9%
Sheng Jie (盛杰)	5,076,000	8.46%
Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司)	3,495,600	5.826%
Beijing Hongtu Jiahui Venture Investment Co., Ltd (北京紅土嘉輝創業投資有限公司)	2,504,400	4.174%
Cao Yi (曹怡)	1,350,000	2.25%
Shen Guirong (沈貴榮)	1,080,000	1.8%
Wang Zhiqiang (王志强)	1,080,000	1.8%
Wang Jianchang (王建昌)	1,080,000	1.8%
Peng Xiaoguang (彭曉光)	1,080,000	1.8%
Li Zhihua (李志華)	1,080,000	1.8%
Guo Ruilin (郭瑞林)	1,080,000	1.8%
Chen Feihua (陳飛華)	1,080,000	1.8%
Gong Tai (龔泰)	540,000	0.9%
Qin Ying (秦鷹)	540,000	0.9%
Chen Li (陳力)	540,000	0.9%
Sun Fulin (孫福麟)	324,000	0.54%
Sun Jingli (孫京麗)	270,000	0.45%
Dai Peng (戴鵬)	270,000	0.45%
Zhang Han (張晗)	108,000	0.18%
Han Fang (韓芳)	27,000	0.045%
Xi Wang (希望)	27,000	0.045%
Total	60,000,000	100%

## Major terms of the Structured Contracts

The Structured Contracts comprise five agreements, details of their respective salient terms are as follows:

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

Wisdom Culture and Beijing Wisdom Media entered into an exclusive consulting and service agreement dated June 24, 2013, pursuant to which Wisdom Culture shall, on an exclusive basis, provide Beijing Wisdom Media with consulting and other related services. Pursuant to the agreement, Wisdom Culture shall, amongst other things, (i) form strategically co-operative relationship and share the clients' data with Beijing Wisdom Media and promote its business; (ii) provide marketing services and advisory services in respect of the TV program production business and pro-actively seek opportunities for Beijing Wisdom Media in respect of the advertising business and sports-related business and submit joint bids with Beijing Wisdom Media for the provision of media services; (iii) provide staff training; (iv) provide the development and transfer of technology and advisory services in respect of the technology; (v) provide public relations services; (vi) provide market research, analysis and advisory services in respect of the PRC and overseas marketing communications industry; and (vii) provide mid-short term marketing development and marketing planning service.

The service fee to which Wisdom Culture is entitled to receive under the agreement shall represent the total revenue of Beijing Wisdom Media, after deducting all operational costs and relevant applicable taxes.

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

- ***Irrevocable power of attorney***

All of the shareholders of Beijing Wisdom Media executed an irrevocable power of attorney dated June 24, 2013, which enables the Company and the directors of the Company and their successors to exercise all the powers of the shareholders (including their successors and transferees) of Beijing Wisdom Media. Pursuant to the irrevocable power of attorney, the Company and the directors of the Company and their successors shall exercise rights of all of the shareholders of Beijing Wisdom Media including but not limited to right to propose a general meeting, rights of voting, sale or transfer of all or part of their interests in Beijing Wisdom Media, signing minutes and filing documents with relevant companies registry.

The Company has the power to designate the person as nominated by the executive directors of the Company or the board of directors of the Company to exercise the rights to the Company under the irrevocable power of attorney.

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

- ***Exclusive business operating agreement***

Wisdom Culture, Beijing Wisdom Media and all of its shareholders (including their successors and transferees) entered into an exclusive business operating agreement dated June 24, 2013, pursuant to which Beijing Wisdom Media agreed, and all of the aforesaid shareholders agreed to cause Beijing Wisdom Media and its subsidiaries, not to enter into any transaction which might substantially affect Beijing Wisdom Media's assets, business, employees, rights, obligations or operations unless prior written approval of Wisdom Culture or its designated wholly-owned subsidiary of the Company have been obtained. Pursuant to the agreement, all of the shareholders of Beijing Wisdom Media agreed to, amongst other things, appoint candidate(s) nominated by Wisdom Culture as director(s) of Beijing Wisdom Media and transfer the bonus, distributable dividend, any other income or interest receivable by them at nil consideration to Wisdom Culture.

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

- ***Exclusive option agreement***

Wisdom Culture, Beijing Wisdom Media and all of its shareholders (including their successors and transferees) entered into an exclusive option agreement dated June 24, 2013, pursuant to which all of the shareholders of Beijing Wisdom Media agreed to grant an irrevocable option to Wisdom Culture for it or its designated wholly-owned subsidiary of the Company to acquire all or any of their equity interests in Beijing Wisdom Media in compliance with the terms of the agreement.

Pursuant to the agreement, Beijing Wisdom Media has undertaken to perform certain acts or refrain from performing certain other acts in relation to its business operation, carrying out of corporate actions and entry into transactions, unless it has obtained prior approval from Wisdom Culture or its designated wholly-owned subsidiary of the Company.

Pursuant to the agreement, all of the shareholders of Beijing Wisdom Media have also undertaken to, amongst other things, maintain all of their rights of equity interests in Beijing Wisdom Media and to sign such documents and take such actions as necessary or appropriate to preserve such rights.

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

- ***Share pledge agreement***

Wisdom Culture and all of the shareholders (including their successors and transferees) of Beijing Wisdom Media entered into a share pledge agreement dated June 24, 2013, pursuant to which all of the shareholders of Beijing Wisdom Media agreed to pledge their equity interests in Beijing Wisdom Media to Wisdom Culture to secure the performance of all of the obligations of Beijing Wisdom Media and/or all of its shareholders under the aforesaid exclusive business operating agreement and exclusive consulting and service agreement.

Pursuant to the agreement, all of the shareholders of Beijing Wisdom Media have undertaken to Wisdom Culture, amongst other things, not to transfer the equity interests in Beijing Wisdom Media (save and except the transfer of shares to Wisdom Culture or its designated wholly-owned subsidiary of the Company), not to create or allow any guarantee or pledge to be created thereon that may affect the rights and interest of Wisdom Culture and to comply with all applicable PRC laws and regulations in relation to the share pledge.

Under the agreement, if the shareholders of Beijing Wisdom Media have defaulted on the terms of the agreement, Wisdom Culture may exercise its rights to acquire the equity interests in Beijing Wisdom Media in accordance with the terms of the agreement, unless all of the shareholders of Beijing Wisdom Media have cured such default or have taken remedial actions as necessary.

The agreement shall be in full force and effect until and unless it is terminated by Wisdom Culture by giving all of the shareholders of Beijing Wisdom Media a 30 days' prior written notice of termination. None of the shareholders of Beijing Wisdom Media shall have any right to terminate the agreement.

## **Reasons for using the Structured Contracts and the significance to the Group**

The business operations of Beijing Wisdom Media involve the production of TV programs and it currently holds a TV program production licence. Such business is subject to foreign investment restrictions under the applicable PRC laws. As such, the Group cannot acquire the equity interest in Beijing Wisdom Media. Having regard to such foreign investment restrictions, the Structured Contracts were designed to provide Wisdom Culture and, thus the Group, with effective control over the financial and operational policies of Beijing Wisdom Media and (to the extent permitted by PRC laws and regulations) the right to acquire the equity interest in Beijing Wisdom Media.

## Revenue and assets subject to the Structured Contracts

The revenue, net profit and total assets subject to the Structured Contracts are set out as follows:

	<b>Year ended December 31, 2014 (RMB'000)</b>	<b>Year ended December 31, 2013 (RMB'000)</b>
Revenue	<b>348,583</b>	80,659
Net Profit	<b>12,079</b>	1,269

  

	<b>As at December 31, 2014 (RMB'000)</b>	<b>As at December 31, 2013 (RMB'000)</b>
Total assets	<b>502,483</b>	235,858

For the year ended December 31, 2014, the revenue and net profit subject to the Structured Contracts amounted to approximately 43% and 4% of the revenue and net profit of the Group.

As at December 31, 2014, the total assets subject to the Structured Contracts amounted to approximately 38% of the total assets of the Group.

For the year ended December 31, 2013, the revenue and net profit subject to the Structured Contracts amounted to approximately 12% and 1% of the revenue and net profit of the Group.

As at December 31, 2013, the total assets subject to the Structured Contracts amounted to approximately 20% of the total assets of the Group.

## Risks associated with the Structured Contracts

The risks associated with the Structured Contracts were set out on pages 34 to 38 of the prospectus of the Company dated June 28, 2013 and are highlighted as follows:

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

- the Group relies on contractual arrangements with Beijing Wisdom Media and its subsidiaries for its operations in the PRC, which may not be as effective in providing operational control as direct ownership;
- any failure by Beijing Wisdom Media and its subsidiaries or their respective shareholders to perform their obligations under their contractual arrangements with the Group would have a material adverse effect on the business and financial condition of the Group;
- contractual arrangements that subsidiary of the Group has entered into with Beijing Wisdom Media may be subject to scrutiny by the PRC tax authorities and a finding that the Group or Beijing Wisdom Media and its subsidiaries owe additional taxes could substantially reduce the combined net income of the Group and the value of the investment by the Company's shareholders;
- the shareholders, directors and executive officers of Beijing Wisdom Media and its subsidiaries may have potential conflicts of interest with the Company, which may materially and adversely affect the business of the Group;
- the Group may rely on dividends and other distributions on equity paid by the Group's PRC subsidiaries to fund any cash and financing requirements the Group may have. Any limitation on the ability of our PRC subsidiaries to pay dividends to the Group could have a material adverse effect on the Group's ability to conduct its business; and
- PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent the Group from using the proceeds of the global offering of the Company to make loans to the PRC subsidiaries and Beijing Wisdom Media and its subsidiaries or to make additional capital contributions to the PRC subsidiaries of the Group, which may materially and adversely affect the liquidity of the Group and the ability of the Group to fund and expand its business.

In light of the above risks associated with the Structured Contracts, the Group has adopted a set of procedures, systems and internal control measures to ensure the sound and effective operation of the Group and the implementation of the Structured Contracts. Such procedures, systems and internal control measures include (i) regular discussions (on a no less frequent than a quarterly basis) of matters relating to compliance and regulatory enquiries from governmental authorities, if any, by the board of directors of the Company at regular and extraordinary board meetings; (ii) regular report (on a no less frequent than a monthly basis) by relevant business units and operation divisions of the Group to the senior management of the Company in relation to the compliance and performance conditions under the Structured Contracts and other related matters; (iii) regular report by the senior management of the Company to the board of directors of the Company any non-compliance issues, (iv) retaining legal adviser and/or other professional to assist the Group to deal with specific issues arising from the Structured Contracts, if so required; and (v) regular review on an annual basis by the independent non-executive directors of the Company the compliance of the Structured Contracts and confirmation of the same being disclosed in the annual reports of the Company.

In addition, to address the risk of potential conflicts of interest of certain shareholders, directors and executive officers of Beijing Wisdom Media and its subsidiaries who are also directors of the Company, it has been provided for under the exclusive business operating agreement that all of the shareholders of Beijing Wisdom Media had agreed to give priority to, and not to cause any damage to, the interests of Wisdom Culture and the Company if there are any potential conflicts of interest amongst Wisdom Culture, the Company, Beijing Wisdom Media and its shareholders. Ms. Ren, being the chairlady of the Company, has been appointed as the chairlady of the board of directors of Beijing Wisdom Media and has taken up the leading role in the governance of implementation of the financial and operating policies in respect of Beijing Wisdom Media in order to ensure that Beijing Wisdom Media will be managed and operated according to the Group's policies and the terms of the Structured Contracts.

## **Change of circumstances**

There had been no material change in the arrangements under the Structured Contracts and/or the circumstances under which they were adopted. As of the date of this announcement, the foreign investment restrictions which gave rise to the arrangements under the Structured Contracts are still in existence.

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

Hong Kong, August 10, 2015

*As at the date of this announcement, the executive directors of the Company are Ms. Ren Wen, Mr. Sheng Jie, Mr. Zhang Han, Dr. Shen Wei and Mr. Hu Xing; 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, Mr. Jin Guoqiang and Mr. Hu Jianguo.*