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## **WISDOM HOLDINGS GROUP**

**智美控股集团**

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

**(Stock Code: 1661)**

### **Discloseable Transaction Establishment of Wisdom Hongtu Fund**

The Board is pleased to announce that, on 27 October 2014, Beijing Wisdom Media, a wholly-owned subsidiary of the Company, entered into a Limited Partnership Agreement with SCG and Hongtu Jingshan, pursuant to which Beijing Wisdom Media agreed to make a capital contribution of RMB75 million for the joint establishment of Wisdom Hongtu Fund with SCG and Hongtu Jingshan.

As one of the applicable percentages under Rule 14.07 of the Listing Rules in relation to the Fund Establishment is more than 5% while all applicable percentages are less than 25%, the Fund Establishment constitutes a discloseable transaction of the Company under Rule 14.06 of the Listing Rules.

## **INTRODUCTION**

The Board is pleased to announce that, on 27 October 2014, Beijing Wisdom Media, a wholly-owned subsidiary of the Company, entered into a Limited Partnership Agreement with SCG and Hongtu Jingshan, pursuant to which Beijing Wisdom Media agreed to make a capital contribution of RMB75 million for the joint establishment of Wisdom Hongtu Fund with SCG and Hongtu Jingshan. The purpose of establishing Wisdom Hongtu Fund is to invest in sports culture business, sports culture media and other sectors relating to sports culture, such as the Internet and new media. Upon the completion of transactions contemplated under the Limited Partnership Agreement, Beijing Wisdom Media will become a Limited Partner of Wisdom Hongtu Fund.

# **KEY TERMS OF THE LIMITED PARTNERSHIP AGREEMENT**

## **Date**

27 October 2014

## **Parties**

The parties are (i) Beijing Wisdom Media; (ii) SCG; and (iii) Hongtu Jingshan.

To the Directors' knowledge, information and belief, having made all reasonable enquiry, as at the date of this announcement, SCG is the ultimate beneficial owner of Avance Holdings Limited which is interested in 6.96% in the Company's shares. In addition, SCG and its subsidiary are registered shareholders of 10% shares in Beijing Wisdom Media. As disclosed in the prospectus of the Company dated 28 June 2013, as part of the structured contracts of the Company prior to its listing, SCG and its subsidiary have granted irrevocable authorization to the Company, the Directors of the Company and their successors (including any liquidators appointed upon liquidation), pursuant to a power of attorney dated 24 June 2013, to exercise all powers of them (including their successors and assignees) as shareholders of Beijing Wisdom Media. As SCG does not have the power to exercise (or control others to exercise) any voting rights attaching to any shares in Beijing Wisdom Media, SCG is not deemed as a "substantial shareholder" (as defined in Rule 1.01 of the Listing Rules) of Beijing Wisdom Media, nor is a "connected person" of the Company.

Save as aforesaid, SCG and Hongtu Jingshan and their respective ultimate beneficial owners are third parties independent to the Company and its connected persons.

## **Decision-making body**

In accordance with the Limited Partnership Agreement, Hongtu Jingshan is the sole General Partner and executive partner of Wisdom Hongtu Fund, while each of SCG and Beijing Wisdom Media is a Limited Partner of Wisdom Hongtu Fund. Hongtu Jingshan sets up the investment committee for the fund and the committee is responsible for decision-making relating to investments to be made by Wisdom Hongtu Fund. The committee comprises 5 members, all of whom will be recommended and appointed by Hongtu Jingshan. Decisions shall be made only with the approval of more than 4/5 of all members of the investment committee. Limited Partners (including Beijing Wisdom Media) shall not participate in the operation of Wisdom Hongtu Fund or act on behalf of Wisdom Hongtu Fund. Limited Partners shall not take part in the management of or control the investment business of Wisdom Hongtu Fund and other activities, transactions and businesses conducted in the name of Wisdom Hongtu Fund. They also shall not sign any documents on behalf of Wisdom Hongtu Fund or engage in any acts binding on Wisdom Hongtu Fund.

## **Manner of capital contribution**

The total amount of capital contribution to be subscribed for by all partners of Wisdom Hongtu Fund is RMB155 million. Hongtu Jingshan, SCG and Beijing Wisdom Media shall subscribe for capital contribution in the amounts of RMB1 million, RMB79 million and RMB75 million, respectively. The amount of capital contribution by each partners was determined after arm's length negotiation among Beijing Wisdom Media, SCG and Hongtu Jangshan, with reference to the estimated capital requirement of the operation of the Wisdom Hongtu Fund. The capital contributions from the partners shall be payable in three tranches following the establishment of Wisdom Hongtu Fund in accordance with their respective proportion of subscription, namely, the proportion of capital contribution for each tranche is 40%: 30%: 30%.

## **Management fee and custodian fee**

Pursuant to the Limited Partnership Agreement, during the term of operation of Wisdom Hongtu Fund, a management fee equivalent to 2% of the total amount of paid-up capital contribution shall be charged annually to cover the management and operating expenses of Wisdom Hongtu Fund; in the event of the withdrawal of any investments, the annual management fee shall be equivalent to 2% of the total amount of paid-up capital contribution after deducting the investment cost of project with the investment withdrawn.

Wisdom Hongtu Fund shall appoint a commercial bank to be the custodian for all cash in the Wisdom Hongtu Fund's account. Pursuant to the Limited Partnership Agreement, the annual custodian fee shall be no more than 0.1% of the total amount of paid-up capital contribution of Wisdom Hongtu Fund, subject to the finalized custodian agreement to be entered into between Wisdom Hongtu Fund and the custodian.

## **Profit distribution**

Cash income generated by Wisdom Hongtu Fund from project investments shall not be reinvested, but shall be distributed to the partners, save as investment amounts recouped from investees as a result of suspension or termination of investment. Cash income from project investments shall include but not limited to dividend, bonus, gain from equity transfers and gain from share disposals. After each investment withdrawal by Wisdom Hongtu Fund, proceeds shall be applied first and foremost to repay the investment principal of all partners. The distribution of cumulative net earnings shall only be conducted after all partners have recouped their paid-up capital contributions.

Specifically, cumulative net earnings shall be distributed in the following manner: following the withdrawal of an individual investment project, if the internal return ratio (IRR) of the withdrawal gain exceeds the designated threshold return ratio of 8%, 20% shall be set aside as performance reward for the General Partner, while 80% shall be distributed between the Limited Partners pro-rata to their paid-up capital contributions. Out of the 20% to be set aside as performance reward, approximately 25% shall be set aside in advance each time as a deposit for subsequent investment withdrawals. If the IRR for subsequent withdrawals is lower than the aforesaid threshold return ratio, such deposit shall be applied to make up the shortfall. If the IRR for subsequent withdrawals are higher than the threshold return ratio, the General Partner shall collect such deposits in one payment upon the maturity of Wisdom Hongtu Fund.

## **Assignment of interests by Limited Partners**

Any transfer of interests in Wisdom Hongtu Fund held by the Limited Partners shall require the prior approval of the General Partner in writing, and the General Partner shall determine whether to approve such transfer at its discretion.

## **Term of Wisdom Hongtu Fund**

The term of operation of Wisdom Hongtu Fund shall be 7 years, comprising an investment period of 3 years and a divestment period of 4 years. The General Partner may extend such term of operation at its discretion. The duration of each extension shall be 1 year and a maximum of 2 extensions may be made.

## **Application of proceeds raised by Wisdom Hongtu Fund**

The investment objective of Wisdom Hongtu Fund is to conduct share or debt equity investment in enterprises and generate sound reward for partners from capital gains. Wisdom Hongtu Fund will not seek to invest in real estate or other fixed assets, movable assets, publicly traded stocks in the secondary market and open- or closed-end funds. Unless unanimously approved by all partners, Wisdom Hongtu Fund shall not incur any debt or provide guarantee on behalf of third parties during its effective period.

## **GENERAL INFORMATION**

The Company is a leading sports culture group in the PRC engaged in the operation of sporting tournaments and production of movie and television programmes, with a special emphasis on the development and extension of the industry chain comprising tournament operation, sports media and sporting social network on the Internet. Beijing Wisdom Media is a wholly-owned subsidiary of the Company.

Hongtu Jingshan Investment Management Advisory (Beijing) Company Limited (紅土景山投資管理顧問(北京)有限公司) is a limited liability company established in the PRC with capital contributions by SCG Investment Management Advisory (Beijing) Company Limited (深創新投資管理顧問(北京)有限公司), Tang Deping (唐德平) and Dong Yi (董藝) amounting to RMB500,000, RMB350,000 and RMB150,000, respectively. Hongtu Jingshan is principally engaged in investment management.

Shenzhen Capital Group Co., Ltd. is an investment conglomerate officially established in October 2002, operating primarily on a parent-subsidary structure with treasury operations as the principal link. With a scope of investment covering sectors such as information technology, communications, new materials, bio-medicine, energy and environmental protection, chemicals, consumer goods, chain stores and high-end services, it boasts extensive experience in venture investment.

## **INFORMATION ON WISDOM HONGTU FUND**

Wisdom Hongtu Fund is a limited partnership established for the purpose of investing in sports culture business, sports culture media and other sectors relating to sports culture, such as the Internet and new media. Its partners include General Partner and Limited Partners. Hongtu Jingshan is its General Partner, while Beijing Wisdom Media and SCG are its Limited Partners.

## **REASONS FOR THE FUND ESTABLISHMENT**

The Directors believe that investing in the sports culture industry through the establishment of Wisdom Hongtu Fund allows the Company to leverage the strengths and advantages of specialised investment institutions and capital market operations to identify quality corporate resources in the sports culture industry and consolidate such quality resources through equity investment or acquisition, thereby realising economic benefits and business growth for the Group in strategic synergy.

The Directors of the Company (including the independent non-executive Directors) are of the view that the terms of the Limited Partnership Agreement are fair and reasonable and in the interest of the Company and its shareholders as a whole.

## **IMPLICATIONS OF THE LISTING RULES**

As one of the applicable percentages under Rule 14.07 of the Listing Rules in relation to the Fund Establishment is more than 5% while all applicable percentages are less than 25%, the Fund Establishment constitutes a discloseable transaction of the Company under Rule 14.06 of the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Beijing Wisdom Media”	Beijing Wisdom Media Holding Co., Ltd. (北京智美傳媒股份有限公司), a company effectively controlled by the Company through structured contracts, as disclosed in the Company’s prospectus dated 28 June 2013, and the financial information of which for the track record period has been incorporated into the Group as a wholly-owned subsidiary of the Company;
“Board”	the board of directors of the Company;
“Company”	Wisdom Holdings Group, an exempted limited liability company incorporated in the Cayman Islands on 21 March 2012;
“Directors”	the directors of the Company;

“Fund Establishment”	the entering into of the Limited Partnership Agreement by the Beijing Wisdom Media, SCG and Hongtu Jingshan in respect of the establishment of Wisdom Hongtu Fund;
“General Partner”	the general partner of Wisdom Hongtu Fund, namely, Hongtu Jingshan;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hongtu Jingshan”	Hongtu Jingshan Investment Management Advisory (Beijing) Company Limited (紅土景山投資管理顧問(北京)有限公司), a limited liability company established in the PRC;
“Limited Partner(s)”	the limited partners of Wisdom Hongtu Fund, namely, Beijing Wisdom Media and SCG;
“Limited Partnership Agreement”	the limited partnership agreement for Beijing Wisdom Hongtu Cultural Investment Management Centre (Limited Partnership) (北京智美紅土文化投資管理中心(有限合夥)) dated 27 October 2014 entered into by Hongtu Jingshan, Beijing Wisdom Media and SCG;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	The People’s Republic of China, for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	RMB, the lawful currency of the PRC;
“SCG”	Shenzhen Capital Group Co., Ltd.;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Wisdom Hongtu Fund”	Beijing Wisdom Hongtu Cultural Investment Management Centre (Limited Partnership) (北京智美紅土文化投資管理中心(有限合夥))

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

Hong Kong, 28 October 2014

*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.*