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WISDOM

WISDOM SPORTS GROUP

智美體育集團

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1661)

DISCLOSEABLE TRANSACTION ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN FIRST AI SPORTS TECHNOLOGY (SHENZHEN) CO., LTD.

EQUITY TRANSFER AGREEMENT

The Board is pleased to announced that on 23 November 2018, the Purchaser, an indirect subsidiary controlled by the Company through structured contracts, entered into the Equity Transfer Agreement with the Vendors pursuant to which the Vendors have agreed to sell, and the Purchaser has agreed to acquire, the entire equity interest of the Target Company at a total consideration of RMB180,000,000.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio as defined under Rule 14.07 of the Listing Rules in respect of the Equity Transfer Agreement exceeds 5% but is less than 25% for the Company, the Acquisition under the Equity Transfer Agreement constitutes a discloseable transaction of the Company and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

The Board is pleased to announced that on 23 November 2018, the Purchaser, an indirect subsidiary controlled by the Company through structured contracts, entered into the Equity Transfer Agreement with the Vendors pursuant to which the Vendors have agreed to sell, and the Purchaser has agreed to acquire, the entire equity interest of the Target Company at a total consideration of RMB 180,000,000.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out below:

Date

23 November 2018

Parties

Vendors: (1) Ms. Zhu; and
(2) Qianhai Equity Investment Fund

Purchaser: Beijing Wisdom Media

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Ms. Zhu, Qianhai Equity Investment Fund and its ultimate beneficial owner(s) are Independent Third Parties.

Subject matter

Pursuant to the Equity Transfer Agreement, each of Ms. Zhu and Qianhai Equity Investment Fund has agreed to sell 25.3% and 74.7% of their equity interest in the Target Company, respectively, and Beijing Wisdom Media has agreed to purchase, the entire equity interest in the Target Company. Completion shall take place simultaneously with the signing of the Equity Transfer Agreement. Upon Completion, the Target Company will be wholly-owned by Beijing Wisdom Media.

Consideration and the basis for the consideration

The total consideration payable by Beijing Wisdom Media under the Equity Transfer Agreement shall be RMB180,000,000, of which RMB45,540,000 shall be paid to Ms. Zhu and RMB134,460,000 shall be paid to Qianhai Equity Investment Fund, respectively.

The consideration for the Acquisition was determined and agreed between the Vendors and the Purchaser after arm's length negotiations based on normal commercial terms, with reference to, among other things, (i) the synergy brought by the Acquisition, (ii) the financial positions of the Target Company (including its net assets), (iii) the current operations and business prospects of the Target Company and (iv) the Valuation Report on the Target Group prepared by the Independent Valuer.

Payment terms

The Purchaser shall pay the consideration of RMB100,000,000 to Qianhai Equity Investment Fund within three (3) days from the date of the Equity Transfer Agreement. The Purchaser shall pay the remaining balance of RMB34,460,000 to Qianhai Equity Investment Fund on or before 30 November 2018.

The Purchaser shall pay the consideration of RMB45,540,000 to Ms. Zhu on or before 30 November 2018.

Update of corporate information and change of directors

1. Update of corporate information

The Vendors shall procure the Target Company to update the corporate information including the shareholders and legal representatives at the relevant Administration for Industry and Commerce Office within 20 days from the date of the Equity Transfer Agreement. Each party shall provide the Target Company with all required information and documents to be signed to facilitate the completion of such update.

2. Change of Directors

The Board shall be reorganized from the date of the Equity Transfer Agreement in accordance with the instructions of the Purchaser. The Vendors shall ensure that its designated director will resign or continue to be appointed by the Target Company in accordance with the instructions of the Purchaser. The Vendors shall also procure the Target Company to proceed with the relevant change at the relevant Administration for Industry and Commerce Office.

VALUATION

The Valuation Report is prepared primarily based on a market value basis under the discounted cash flow method. According to the Valuation Report, the estimated value of the Target Group as at 30 September 2018 was approximately RMB180,190,000. In this respect, the Valuation constitutes a profit forecast for the purpose of Rule 14.61 of the Listing Rules and accordingly, the requirements under Rules 14.60A and 14.62 of the Listing Rules are applicable to the acquisition of the Target Company.

For the purpose of complying with Rule 14.62 of the Listing Rules, the principal assumptions upon which the Valuation Report is based are as follows:

- for the Target Group to continue as a going concern, the Target Group will continue to carry out all necessary activities for the development of its business;

- the availability of finance will not be a constraint on the forecast growth of the Target Group's operations in accordance with the projections;
- market trends and conditions where the Target Group operates will not deviate significantly from the economic forecasts in general;
- key management, competent personnel, and technical staff will all be retained to support ongoing operations of the Target Group;
- interest rates and tax rates in the localities for the operation of the Target Group will not differ materially from those presently prevailing;
- there will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the Target Group operates or intends to operate, which would adversely affect the revenues and profits attributable to the Target Group.

The Independent Valuer has also assumed the reasonableness of information provided and relied to considerable extent on such information in arriving at its opinion of value.

Pursuant to Rule 14.62 of the Listing Rules, the Board has reviewed the principal assumptions upon which the valuation is based and is of the view that the profit forecast has been made after due and careful enquiry.

RSM Hong Kong, the Company's reporting accountants, has also reviewed the calculations of the discounted cash flows of the Target Company in which the valuation was based.

A letter from the Board, dated 23 November 2018 with respect to Rule 14.60(A) of the Listing Rules will be submitted to the Stock Exchange together with this announcement, the texts of which are included in Appendix I to this announcement.

A report from RSM Hong Kong, dated 23 November 2018 with respect to the profit forecast as required under Rule 14.62(2) of the Listing Rules will be submitted to the Stock Exchange together with this announcement, the texts of which are included in Appendix II to this announcement.

The following are the qualifications of the experts who have given their opinion and advice included in this announcement:

Name	Qualification
RSM Hong Kong	Certified Public Accountants
Avista Business Consulting (Beijing) Co., Ltd.	Independent professional valuer

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Independent Valuer and RSM Hong Kong is an Independent Third Party. As at the date of this announcement, none of the Independent Valuer and RSM Hong Kong has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the Independent Valuer and RSM Hong Kong has given and has not withdrawn its written consent to the issue of this announcement with the inclusion of its letter and/or all references to its report and name (including its qualification) in the form and context in which they respectively appear.

Having considered the above, the subsequent negotiations between the vendors and the purchaser and the factors described in the paragraph headed "Reasons for and benefits of the Acquisition" below, the Directors consider the consideration of the acquisition to be fair and reasonable and on normal commercial terms and in the interest of the Shareholders as a whole.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established under the laws of the PRC with limited liability. It is principally engaged in the business operation of live broadcasting and video production for large-scale tournaments, timing and track services for large-scale tournaments, and software and hardware for marathon system platform. For the year ended 31 December 2017, the Target Company was one of the service providers to the Group in providing live broadcast and production services and timing services for the marathon events organised by the Group in the PRC.

The following table sets out certain unaudited financial information of the Target Company prepared in accordance with the accounting standards generally accepted in the PRC:

	For the year ended 31 December		Six months ended 30 June
	2016	2017	2018
	RMB	RMB	RMB
	(approximately million)	(approximately million)	(approximately million)
	(unaudited)	(unaudited)	(unaudited)
Revenue	27.87	49.44	30.22
Net profit (loss) before income tax	(59.54)	3.12	6.70
Net profit (loss) after income tax	(59.54 [*])	3.11	6.70
Total assets	<u>74.64</u>	<u>43.02</u>	<u>56.88</u>

FINANCIAL IMPACT ON THE GROUP

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company. The assets, liabilities, results and financial positions of the Target Company will be consolidated into the consolidated financial statements of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company is engaged in live broadcasting and production for large-scale tournaments, timing and track services for large-scale tournaments and marathon system platform services. The Target Company has a production team equipped with well-developed technologies and hardware and extensive experiences in live broadcasting large-scale sporting events, and has completed live broadcasting for a number of large-scale national tournaments since its establishment, including various sporting events like marathon, basketball, soccer, table tennis, badminton and cycling. With its extensive production and broadcast experiences, the tournaments have been broadcasted on traditional television media and new Internet media, such as CCTV and local TVs. At the same time, the Target Company has always been committed to the research, development and application of intelligent equipment with its mature technical research & development team, which developed timing chips for tournaments certified by the Chinese Athletic Association and adopted in a multitude of national marathon events. Simultaneously, the marathon management platform system developed by the team is under trial operation, providing event organizing committees and operators an intuitive, integrated management software platform for tournaments which covers players, medical, racing, replenishment and other aspects. With a strong event operation team alongside its extensive experiences and strengths in operating the business in road running industry, the Group is devoted to the development of the entire sports industry chain in China. The Group believes the acquisition of the Target Company can strengthen the Company's capabilities in the fields of event broadcasting and production, leveraging both parties' strengths in live broadcasting and content production for events for further expansion and development. It also enhances the Group's event broadcasting quality and reduces the cost of production effectively, enriching our industry chain extension and profit model. Also, "Sports + Technology" is an important part of the Group's "Sports+" strategy. By combining the strengths of both parties, The Target Company will also lay out its blueprint in the aspects of establishing a database information system for running buddies and intelligent equipment, further enhancing the commercial loop of event operation, sports operation, live broadcasting for events and sporting technology.

Based on the above and having considered all relevant factors, the Directors (including the independent non-executive Directors) believe and consider that the terms of the Acquisition are on normal commercial terms, are fair and reasonable and that the entering into of the Equity Transfer Agreement are in the interest of the Company and its Shareholders as a whole.

INFORMATION ABOUT THE PARTIES

Ms. Zhu Ping

Ms. Zhu is a PRC citizen and one of the founders the Target Company. She has earned extensive experiences in the Internet industry.

Qianhai Equity Investment Fund

Qianhai Equity Investment Fund was established in the PRC as an investment fund on December 11, 2015, which is principally engaged in the investment of various businesses and projects.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Ms. Zhu and Qianhai Equity Investment Fund and its ultimate beneficial owner(s) are Independent Third Parties.

Beijing Wisdom Media

Beijing Wisdom Media is a company established under the laws of the PRC with limited liability and an indirect subsidiary of the Company. Beijing Wisdom Media is principally engaged in the operation of professional marathon tournaments business and production of television programmes and is one of the principal operating entities of the Group through the structured contracts entered into with the Group.

INFORMATION ABOUT THE GROUP

The Group is a prominent 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 sports industry chain.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio as defined under Rule 14.07 of the Listing Rules in respect of the Equity Transfer Agreement exceeds 5% but is less than 25% for the Company, the Acquisition under the Equity Transfer Agreement constitutes a discloseable transaction of the Company and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this announcement:

“Acquisition”	the acquisition of the entire equity interest in the Target Company by Beijing Wisdom Media from Ms. Zhu and Qianhai Equity Investment Fund pursuant to the Equity Transfer Agreement
“Beijing Wisdom Media”	Beijing Wisdom Media Holding Co., Limited* (北京智美傳媒股份有限公司), an indirect subsidiary controlled by the Company through structured contracts which is a domestic enterprise established in the PRC with limited liability
“Board”	the board of Directors
“Company”	Wisdom Sports Group (智美體育集團), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange with stock code 1661
“Completion”	the completion of the Acquisition
“connected persons”	has the same meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 23 November 2018, entered into among the Purchaser and the Vendors in respect of the Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	party(ies) who are third parties independent of the Company and its connected persons (as defined in the Listing Rules)
“Independent valuer”	Avista Business Consulting (Beijing) Co., Ltd., the professional valuer registered in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Zhu”	Ms. Zhu Ping (朱平女士), an Independent Third Party
“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

“Purchaser”	Beijing Wisdom Media
“Qianhai Equity Investment Fund”	Qianhai Equity Investment Fund (LLP)* (前海股權投資基金 (有限合夥)), an investment fund which is principally engaged in the investment of various businesses and projects, an Independent Third Party
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the same meaning ascribed to it under the Listing Rules
“Target Company”	First AI Sports Technology (Shenzhen) Co., Ltd.* (第一智能體育科技(深圳)有限公司), a company established in the PRC with limited liability on May 6, 2016
“Target Group”	the Target Company and its subsidiary
“Valuation”	the valuation of the entire interests of the Target Company under the discounted cash flow approach
“Valuation Report”	the Valuation Report dated 23 November 2018, issued by the Independent Valuer
“Vendors”	Ms. Zhu and Qianhai Equity Investment Fund
“%”	per cent.

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

Hong Kong, 23 November, 2018

As at the date of this announcement, the executive directors of the Company are Ms. Ren Wen, Mr. Zhang Han, Mr. Song Hongfei and Ms. Hao Bin; and the independent non-executive directors of the Company are Mr. Chen Zhijian, Mr. Ip Kwok On Sammy and Mr. Jin Guoqiang.

* for identification purpose only

APPENDIX I – LETTER FROM THE BOARD

23 November 2018

The Stock Exchange of Hong Kong Limited
11th Floor, One International Finance Centre
1 Harbour View Street Hong Kong

Dear Sirs,

We refer to the announcement of the Company dated 23 November 2018 (the “**Announcement**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings when used herein.

We refer to the Valuation Report dated 23 November 2018 issued by Avista Business Consulting (Beijing) Co., Ltd. as the Independent Valuer regarding the Valuation at 30 September 2018, which constitutes a profit forecast (the “**Profit Forecast**”) as defined under Rule 14.61 of the Listing Rules.

We have discussed with the Independent Valuer about different aspects including the bases and assumptions based upon which the Valuation has been prepared, and reviewed the Valuation for which the Independent Valuer is responsible. We have also considered the report dated 23 November 2018 from RSM Hong Kong, a professional firm of Certified Public Accountants regarding whether the Profit Forecast, so far as the accounting policies and calculations are concerned, have been properly complied with the bases and assumptions as set out in the Valuation Report. We have noted that the Profit Forecast in the Valuation are mathematically accurate and is presented on a basis consistent in all material aspects with the accounting policies currently adopted by the Company.

We hereby confirm that pursuant to the Valuation Report, the Profit Forecast has been made after due and careful enquiry of the Board.

Yours faithfully,

For and on behalf of the Board

Wisdom Sports Group

Ren Wen

Chairlady and Executive Director



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23 November 2018

**INDEPENDENT ASSURANCE REPORT ON CALCULATIONS OF VALUATION OF 100%
EQUITY INTEREST IN 第一智能體育科技(深圳)有限公司 AS AT 30 SEPTEMBER 2018**

TO THE DIRECTORS OF WISDOM SPORTS GROUP

Dear Sirs,

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Avista Business Consulting (Beijing) Co., Ltd. dated 23 November 2018 of 100% equity interests in 第一智能體育科技(深圳)有限公司 (the “**Target Company**”) as at 30 September 2018 (the “**Valuation**”) is based. The Valuation, based on the discounted future estimated cash flows, is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and will be included in an announcement to be issued by Wisdom Sports Group (the “**Company**”) dated 23 November 2018 (the “**Announcement**”).

Directors’ Responsibilities for the Discounted Estimated Future Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors (the “**Assumptions**”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to form an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by paragraph 14.62(2) of the Listing Rules, and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work. We are not reporting on the appropriateness and validity of the Assumptions on which the Valuation is based and our work does not constitute any valuation of the Target Company.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimate cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the Assumptions.

Because the Valuation relates to the discounted estimated future cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from those used in the Valuation and the variation may be material. Accordingly we have not reviewed, considered or conducted any work on the completeness, reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

In our opinion, based on the foregoing, the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled, in all material respects, in accordance with the Assumptions made by the directors of the Company.

Yours faithfully,

RSM Hong Kong

Certified Public Accountants

Hong Kong