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Wise Talent Information Technology Co., Ltd

有才天下信息技术有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6100)

**SUPPLEMENTAL AND CLARIFICATION ANNOUNCEMENT
DISCLOSEABLE TRANSACTION
ENTERING INTO OF SHARE TRANSFER AGREEMENTS**

The Board is pleased to announce that, on 25 November 2019, TD Elite HK entered into (i) the Founding Shareholders Share Transfer Agreement with, among others, the Founding Shareholders, and (ii) the Minority Shareholder Share Transfer Agreement with the Minority Shareholder Offshore SPV, in relation to the Strategic Investment by TD Elite HK in approximately 66.60% of the total number of shares in the Cayman Company.

As the completion of the Strategic Investment is subject to the satisfaction of a number of conditions precedent, the Strategic Investment may or may not be completed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

INTRODUCTION

Reference is made to (i) the announcement of the Company dated 27 March 2019 and (ii) the announcement of the Company dated 26 August 2019 (collectively, the “**Previous Announcements**”) in relation to the investment by Liepin HK in the equity interest in Changsha Ranxing. Unless the context otherwise requires, capitalised terms defined in the Previous Announcements have the same meanings when used in this announcement.

As disclosed in the Previous Announcements, on 26 August 2019, Liepin HK, a wholly-owned subsidiary of the Company, entered into the Investment Framework Agreement with (i) Changsha Ranxing, (ii) the Founding Shareholders, (iii) Ningbo Ranxing, and (iv) the Minority Shareholder, pursuant to which Liepin HK agreed to strategically invest in an aggregate of 66.60% of the total number of shares in the Cayman Company to be transferred by the BVI SPVs and the Minority Shareholder Offshore SPV to Liepin HK or its designated entity.

Pursuant to the Investment Framework Agreement, on 25 November 2019, TD Elite (HK) Information Technology Co., Limited (同道精英(香港)信息技術有限公司) (“**TD Elite HK**”), a wholly-owned subsidiary of the Company and Liepin HK’s designee, entered into:

- (a) a share transfer agreement (the “**Founding Shareholders Share Transfer Agreement**”) with (i) Xiao H Holdings Limited, Yong W Holdings Limited and Eton Y Holdings Limited, which are the BVI SPVs contemplated under the Investment Framework Agreement (ii) WJX Inc., which is the Cayman Company contemplated under the Investment Framework Agreement, (iii) WJX HK Limited, which is the Hong Kong Company contemplated under the Investment Framework Agreement, (iv) Changsha Xingku Information Technology Co., Ltd. (長沙星酷信息技術有限公司), which is the WFOE contemplated under the Investment Framework Agreement, (v) Changsha Ranxing and (vi) the Founding Shareholders, in relation to the Strategic Investment by TD Elite HK in approximately 58.24% of the total number of shares (the “**Founding Shareholder Purchased Shares**”) in the Cayman Company for a total consideration of RMB633.96 million; and
- (b) a share transfer agreement (the “**Minority Shareholder Share Transfer Agreement**”) with Chengwei Evergreen Capital, L.P., which is the Minority Shareholder Offshore SPV contemplated under the Investment Framework Agreement, in relation to the Strategic Investment by TD Elite HK in approximately 8.36% of the total number of shares (the “**Minority Shareholder Purchased Shares**”) in the Cayman Company for a total consideration of RMB103 million.

As disclosed in the announcement of the Company dated 26 August 2019, the above-mentioned RMB103 million represents the consideration payable to the Minority Shareholder offshore. The rest of the consideration payable to the Minority Shareholder is RMB90 million, of which RMB45 million has been paid by Liepin HK’s designated entity in the PRC to the Minority Shareholder, and the remaining RMB45 million will be paid by Liepin HK’s designated entity in the PRC to the Minority Shareholder within 10 business days after the completion of the Minority Shareholder Exit Matters, in each case pursuant to the Investment Framework Agreement.

SHARE TRANSFER AGREEMENTS

The terms of the Share Transfer Agreements are substantially consistent with the Investment Framework Agreement.

Conditions Precedent

As disclosed in the Previous Announcements, the conditions precedent of the Strategic Investment would be stipulated in the definitive share transfer agreements to be entered into after the execution of the Investment Framework Agreement.

Founding Shareholders Share Transfer Agreement

Pursuant to the Founding Shareholders Share Transfer Agreement, the obligation of TD Elite HK to purchase the Founding Shareholder Purchased Shares held by any BVI SPV at closing is subject to the fulfillment, to the satisfaction of the TD Elite HK (or waiver thereof by the TD Elite HK) on or prior to the closing date, of the following conditions:

- (1) the representations and warranties made by (i) the BVI SPVs and the Founding Shareholders and (ii) the Cayman Company, the Hong Kong Company, the WFOE and Changsha Ranxing (collectively, the “**Group Companies**”) shall be true, correct and complete when made, and shall be true, correct and complete as of the closing with the same force and effect as if they had been made on and as of such date, subject to changes contemplated by the transaction documents (except for such representations and warranties that speak as of a particular date, in which case, such representations and warranties shall be true, correct and complete as of such date);
- (2) the BVI SPVs shall have performed and complied with all agreements, obligations and conditions contained in the relevant transaction documents that are required to be performed or complied with by it on or before the closing;
- (3) all corporate and other proceedings in connection with the transactions contemplated under the Founding Shareholders Share Transfer Agreement and all documents and instruments incident to such transactions shall be satisfactory in substance and form to TD Elite HK, and TD Elite HK shall have received all such counterpart originals or certified or other copies of such documents as they may request;

- (4) except set forth in the Founding Shareholders Share Transfer Agreement as for those registers to be updated and delivered at closing and those resolutions to be passed after the closing, the BVI SPVs shall have obtained any and all approvals, consents and waivers necessary to execute and deliver the Founding Shareholders Share Transfer Agreement and sell the Founding Shareholder Purchased Shares, and to carry out the transactions contemplated by the Founding Shareholders Share Transfer Agreement, including, but not limited to all permits, authorizations, approvals, consents or permits of any governmental authority or regulatory body;
- (5) the amended and restated memorandum and articles of association of the Cayman Company shall have been duly adopted by all necessary action of the board of directors and shareholders of the Cayman Company, and such adoption shall have become effective prior to the closing with no alternation or amendment as of the closing;
- (6) the Cayman Company's restated articles and the articles of association of Changsha Ranxing shall provide that the board of directors shall consist of three (3) directors, among which two (2) is appointed by TD Elite HK and one (1) is appointed by the BVI SPVs. The Hong Kong Company and the WFOE shall pass and adopt resolutions to approve the establishment of their respective board of directors, and such board of directors shall be composed of three directors, two of which appointed by TD Elite HK and the remaining one appointed by the BVI SPVs;
- (7) the Cayman Company shall have established the WFOE and the Hong Kong Company pursuant to the restructuring plan regarding the establishment of the VIE structure of Changsha Ranxing mutually agreed by the BVI SPVs and the Founding Shareholders and TD Elite HK. The entire equity interests of the Hong Kong Company and WFOE shall be directly or indirectly held by the Cayman Company. After the WFOE has been established, the Cayman Company shall have completed relevant procedures required by government and administration, including the filing with the Ministry of Commerce and the registration with State Administration of Foreign Exchange of the PRC, and have completed other matters as stipulated in the restructuring plan that shall be completed prior to the transfer of the Founding Shareholder Purchased Share by the BVI SPVs;
- (8) there shall have been no material adverse effect of the Group Companies since the date of the Founding Shareholders Share Transfer Agreement;
- (9) the Cayman Company shall have delivered to TD Elite HK the transaction documents duly executed by the Cayman Company and all other parties thereto (except for TD Elite HK);

- (10) each Founding Shareholder, key employee of the Cayman Company shall have entered into a letter of commitment, pursuant to which, such Founding Shareholders (excluding Mr. Yao Lei Ming) and key employee of the Cayman Company will commit to work full time with the Group Company and such Founding Shareholder and key employee will undertake certain non-compete obligations;
- (11) each Founding Shareholder shall have duly completed the registration requirement under the restructuring plan and the Notice Regarding Certain Administrative Measures on Offshore Investment and Financing and Round-trip Investments by PRC Residents through Special Purpose Vehicles by PRC Residents issued by the State Administration of Foreign Exchange (the “SAFE”) on July 4, 2014 (the Circular 37) and any successor rule or regulation under PRC law, in respect of the first layer of special purpose vehicle in which such Founding Shareholder directly hold 100% of its shares; and
- (12) the BVI SPVs and the Founding Shareholders shall have executed and delivered to TD Elite HK at the closing a certificate dated as of the closing stating that the conditions specified in the Founding Shareholders Share Transfer Agreement have been fulfilled as of the closing.

The obligation of each BVI SPV to sell the corresponding Founding Shareholder Purchased Shares at the closing is subject to the fulfillment, to the satisfaction of each BVI SPV (or waiver thereof by such BVI SPV) on or prior to the closing date, of the following conditions:

- (1) the representations and warranties made by TD Elite HK in the transaction documents shall be true, correct and complete when made, and shall be true, correct and complete as of the closing with the same force and effect as if they had been made on and as of such date, subject to changes contemplated by the Founding Shareholders Share Transfer Agreement (except for such representations and warranties that speak as of a particular date, in which case, such representations and warranties shall be true, correct and complete as of such date);
- (2) TD Elite HK shall have performed and complied with all agreements, obligations and conditions as set forth in the transaction documents, which are necessary to be performed or complied with on and before the closing;
- (3) TD Elite HK shall have obtained any and all approval, consent and waiver necessary for execution and delivery of the Founding Shareholders Share Transfer Agreement, obtaining of the Founding Shareholder Purchased Shares and the consummation of the transaction thereunder, including but not limited to any and all permits, authorization, approvals, consents and licenses from any government or regulatory institutions;

- (4) as of the date of the Founding Shareholders Share Transfer Agreement and as of the closing date, the execution, delivery, performance of and compliance with the Founding Shareholders Share Transfer Agreement, the other transaction documents and the various agreements, instruments or documents attached to or entered into in connection with the Investment Framework Agreement and the consummation of the transactions contemplated thereby, will not result in any such violation, breach or default, or be in conflict with or constitute, either a default under TD Elite HK's constitutional documents (the memorandum and articles or any other equivalent corporate charter documents) or any such provision, instrument, judgment, order, writ, decree, contract or agreement to which TD Elite HK is a party or by which it or its assets is bound, or a violation of any statutes, laws, regulations or orders;
- (5) TD Elite HK shall have executed and delivered to the Cayman Company the transaction documents to which it is a party duly executed by itself; and
- (6) the sources of the United States dollar equivalent of RMB433,960,000 paid by TD Elite HK to the BVI SPVs and the United States dollar equivalent of RMB200,000,000 paid for the Consideration Shares shall be in compliance with the applicable laws and regulations, and TD Elite HK's transfer of Consideration Shares to the BVI SPVs through its designated securities dealer shall be in compliance with the applicable rules and requirements of the Stock Exchange.

Minority Shareholder Share Transfer Agreement

Pursuant to the Minority Shareholder Share Transfer Agreement, the obligation of TD Elite HK to purchase the Minority Shareholder Purchased Shares held by the Minority Shareholder Offshore SPV at closing is subject to the fulfillment, to the satisfaction of TD Elite HK (or waiver thereof by TD Elite HK) on or prior to the closing date, of the following conditions:

- (1) the representations and warranties made by the Minority Shareholder Offshore SPV in the transaction documents shall be true, correct and complete when made, and shall be true, correct and complete as of the closing in all material respects with the same force and effect as if they had been made on and as of such date, subject to changes contemplated by the transaction documents;
- (2) the Minority Shareholder Offshore SPV shall have performed and complied with all agreements, obligations and conditions contained in the transaction documents in all material respects that are required to be performed or complied with by it on or before closing; and
- (3) the Minority Shareholder Offshore SPV shall have delivered to TD Elite HK the transaction documents to which it is a party duly executed by itself.

The obligation of the Minority Shareholder Offshore SPV to sell the corresponding Minority Shareholder Purchased Shares at the closing is subject to the fulfillment, to the satisfaction of the Minority Shareholder Offshore SPV (or waiver thereof by the Minority Shareholder Offshore SPV) on or prior to the closing date, of the following conditions:

- (1) the representations and warranties made by TD Elite HK in the transaction documents shall be true, correct and complete when made, and shall be true, correct and complete as of the closing in all material respects with the same force and effect as if they had been made on and as of such date, subject to changes contemplated by the Minority Shareholder Share Transfer Agreement;
- (2) TD Elite HK shall have executed and delivered to the Minority Shareholder Offshore SPV the transaction documents to which it is a party duly executed by itself; and
- (3) TD Elite HK shall have performed and complied with all agreements, obligations and conditions contained in the transaction documents in all material respects that are required to be performed or complied with by it on or before closing.

SHAREHOLDING OF THE CAYMAN COMPANY AND CHANGSHA RANXING

The below table sets out the latest shareholding of the Cayman Company immediately before and after the completion of the transfer of shares in the Cayman Company:

Shareholders	Immediately before completion of the transfer of shares in the Cayman Company		Immediately after completion of the transfer of shares in the Cayman Company	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
BVI SPV held by the Founder	61,480,500	55.43%	22,408,029	20.20%
BVI SPV held by Mr. Wu Yong	32,574,940	29.37%	11,872,711	10.71%
BVI SPV held by Mr. Yao Lei Ming	7,585,960	6.84%	2,764,883	2.49%
Minority Shareholder Offshore SPV	9,273,640	8.36%	—	—
TD Elite HK	—	—	73,869,417	66.60%
Total	110,915,040	100.00%	110,915,040	100.00%

The below table sets out the shareholding of Changsha Ranxing immediately before and after the completion of the transfer of the equity interests currently held by the Minority Shareholder in Changsha Ranxing to Liepin HK's designated entity in the PRC:

Shareholders	Immediately before completion of the transfer of equity interest in Changsha Ranxing		Immediately after completion of the transfer of equity interest in Changsha Ranxing	
	Amount of equity interest	Shareholding percentage	Amount of equity interest	Shareholding percentage
The Founder	RMB6,220,426	52.77%	RMB6,220,426	52.77%
Mr. Wu Yong	RMB2,226,604	18.89%	RMB2,226,604	18.89%
Minority Shareholder	RMB1,622,887	13.77%	—	—
Ningbo Ranxing	RMB1,103,266	9.36%	RMB1,103,266	9.36%
Mr. Yao Lei Ming	RMB613,844	5.21%	RMB613,844	5.21%
Liepin HK's designated entity in the PRC	—	—	RMB1,622,887	13.77%
Total	<u>RMB11,787,027</u>	<u>100.00%</u>	<u>RMB11,787,027</u>	<u>100.00%</u>

There is no change to the Founding Shareholders' shareholding in the Cayman Company and Changsha Ranxing as a result of the entering into of the Changsha Ranxing Contractual Arrangements.

As provided in the Investment Framework Agreement, the Minority Shareholder and the Company agreed that part of the consideration payable to the Minority Shareholder shall be settled offshore. Accordingly, the relevant part of the Minority Shareholder's equity interest in Changsha Ranxing will be reflected in the Cayman Company, and the 8.36% shareholding of the Minority Shareholder in the Cayman Company is determined to reflect the amount of the Offshore Payment to the Minority Shareholder.

On the other hand, the 13.77% equity interest held by the Minority Shareholder in Changsha Ranxing represents the Minority Shareholder's original investment in Changsha Ranxing before the latter's restructuring as contemplated under the Investment Framework Agreement. Although part of the Minority Shareholder's equity interest has been reflected in the Cayman Company (i.e. the 8.36% shareholding), the parties considered that it was not necessary to make any adjustment to the Minority Shareholder's equity interest in Changsha Ranxing. Instead, all of the 13.77% equity interest held by the Minority Shareholder in Changsha Ranxing will be transferred to Liepin HK's designated entity in the PRC pursuant to the Investment Framework Agreement. The Company plans to use Liedao Information Technology Co., Ltd. ("**Liedao**") as Liepin HK's designated entity in the PRC. Liedao is a company controlled by the Company through contractual arrangements, and the Company does not directly or indirectly hold any equity interest in Liedao. As such, this arrangement complies with the relevant PRC laws and regulations in relation to foreign investment restriction applicable to Changsha Ranxing.

CLARIFICATIONS

Consideration and Payment Arrangements

References are made to paragraphs (2) and (3) of the section headed "Consideration and Payment Arrangements" of the Company's announcement dated 26 August 2019.

The Company noted that there was a typographical error in each of the above-mentioned paragraphs, where it mistakenly stated "transfer of 13.37% of the equity interest in Changsha Ranxing by the Minority Shareholder". The Company would like to clarify that each of the "13.37%" therein should be read as "13.77%" instead.

Basis of Consideration

Internal Valuation

As disclosed in the Previous Announcements, the consideration (including the transfer price of the Consideration Shares) under the Investment Framework Agreement was determined after arm's length negotiations between the parties based on the principle of equality, voluntariness as well as compensation of equal value with reference to the profitability and business prospect of Changsha Ranxing, as well as market conditions. In particular, the Directors determined the consideration (including the transfer price of the Consideration Shares) under the Investment Framework Agreement and the Investment Term Sheets based on the valuation of 100% equity interest in Changsha Ranxing, which is in turn determined by, among others, (1) the average price to sales (P/S) ratio of the overseas listed comparable companies which conduct similar HR SaaS business as Changsha Ranxing, and (2) Changsha Ranxing's estimated revenue for the year ending 31 December 2020. In this respect, the Company would like to clarify that:

- (1) in relation to the average P/S ratio, the Company considered the forward-looking P/S ratios of the following publicly listed HR SaaS companies in the United States of America; and

Name of company	P/S ratio	
	2019 ^(a)	2020 ^(b)
Pegasystems Inc.	4.7	4.2
Zuora, Inc.	8.1	6.6
Workiva Inc.	7.0	6.1
Pluralsight, Inc.	6.2	4.7
Yext, Inc.	5.7	4.4
8x8, Inc.	4.1	3.4
Benefitfocus, Inc.	6.1	5.3
LivePerson, Inc.	5.3	4.7
PROS Holdings, Inc.	5.5	4.7
Talend S.A.	4.4	3.6
Average P/S ratio	5.7	4.8

Notes:

- (a) The P/S ratio for 2019 is calculated by dividing the market capitalization of the relevant company as at 1 February 2019 by its estimated total revenue for the year ending 31 December 2019 (except for Yext, Inc., whose expected revenue is in respect of the year ending 31 January 2020 as it has a financial year end of 31 January) based on the relevant research report prepared by research analysts of international investment banks covering such company.
- (b) The P/S ratio for 2020 is calculated by dividing the market capitalization of the relevant company as at 1 February 2019 by its estimated total revenue for the year ending 31 December 2020 (except for Yext, Inc., whose expected revenue is in respect of the year ending 31 January 2021 as it has a financial year end of 31 January) based on the relevant research report prepared by research analysts of international investment banks covering such company.
- (2) the Company currently expects that the revenue of Changsha Ranxing will continue to grow for the years ending 31 December 2019 and 2020. Changsha Ranxing's revenue mainly comprises of: (i) revenue from survey services and (ii) revenue from online advertisements. It is expected that the Strategic Investment will be completed in the second half of 2019, and the full growth synergies brought by the Strategic Investment will be reflected in 2020. The Company believes that, leveraging on the Company's strong sales team and the market demand for the products offered by Changsha Ranxing, the revenue from survey services of Changsha Ranxing for the year ending 31 December 2020 will substantially increase compared with 2018. On the other hand, based on the business due diligence conducted by the Company, it is expected that the revenue from online advertisement of Changsha Ranxing will remain stable for the next two years.

Based on the expected revenue of Changsha Ranxing for the year ending 31 December 2020 and the average 2019 P/S ratio of comparable companies of 5.7 times, and taking into account (i) the valuation of other similar HR SaaS businesses in the PRC and overseas (such as SVMK Inc. (a company listed on NASDAQ, stock symbol: SVMK)); and (ii) a control premium to reflect the Company's controlling stake in Changsha Ranxing, the Company determined that the valuation of the entire equity interest of Changsha Ranxing is approximately RMB1,260 million, and the consideration for the Strategic Investment was determined accordingly.

External Valuation

As disclosed in the Previous Announcements, the Company had also engaged an independent valuer to conduct the External Valuation of Changsha Ranxing using the market approach based on the enterprise value to sales (EV/S) ratio of comparable SaaS companies to support the Company's internal valuation. In this regard, the independent valuer has considered the average EV/S ratio of the following comparable companies:

Name of Company	EV/S ratio as at 28 February 2019
Salesforce.com, inc.	9.95
Wokiva Inc.	6.11
Yext, Inc.	6.53
Zoura, Inc.	10.93
ZENDESK, INC.	14.35
NEW RELIC, INC.	12.89
HUBSPOT, INC.	12.98
Average EV/S ratio	10.54

Based on the average EV/S ratio of comparable companies of 10.54 times, the revenue of Changsha Ranxing for the year ended 31 December 2018 of approximately RMB100 million, and the non-operating assets and liabilities of Changsha Ranxing as at 31 December 2018 of approximately RMB147.0 million, the independent valuer determined that the enterprise value of the entire equity interest of Changsha Ranxing is approximately RMB1,283 million, which is similar to the internal valuation of Changsha Ranxing determined by the Company as disclosed in the paragraph headed "Internal Valuation" above.

GENERAL

The Company will publish further supplemental announcement(s), (i) upon the determination of the final transfer price of the Consideration Shares and (ii) upon the entering into of the Changsha Ranxing Contractual Arrangements to disclose, among others, further details about the terms of the Changsha Ranxing Contractual Arrangements and relevant internal control measures to be implemented by the Group. Upon the entering into of the Changsha Ranxing Contractual Arrangements, their principal terms will also be published on the Company's investor relations website.

As the completion of the Strategic Investment is subject to the satisfaction of a number of conditions precedent, the Strategic Investment may or may not be completed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

By order of the Board
Wise Talent Information Technology Co., Ltd
DAI Kebin
Chairman

PRC, 25 November 2019

As at the date of this announcement, the Board of Directors of the Company comprises Mr. DAI Kebin, Mr. CHEN Xingmao and Ms. XU Lili as executive Directors, Mr. SHAO Yibo, Mr. ZUO Lingye and Mr. DING Gordon Yi as non-executive Directors, and Mr. YE Yaming, Mr. ZHANG Ximeng and Mr. CHOI Onward as independent non-executive Directors.