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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 2023**

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 2023 (the “**Reporting Period**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	<i>Note</i>	2023 RMB'000	2022 RMB'000
Revenue	4	32,243	4,976
Cost of services		<u>(33,083)</u>	<u>(1,476)</u>
Gross (loss)/profit		(840)	3,500
Other income	5	16,345	8,996
Other gain or loss	6	(468)	(7,543)
Net provision of impairment losses on other receivables		(43,570)	(9,293)
Net provision of impairment losses on interest in associates		(96)	(31,486)
Selling and distribution expenses		(7,109)	(3,663)
General and administrative expenses		<u>(44,240)</u>	<u>(26,407)</u>
Loss from operations		(79,978)	(65,896)
Finance costs		(63)	–
Share of results of associates		<u>(1,130)</u>	<u>(1,607)</u>
Loss before tax		(81,171)	(67,503)
Income tax expense	8	<u>(6,000)</u>	<u>(8,004)</u>
Loss for the year	9	<u>(87,171)</u>	<u>(75,507)</u>
Attributable to:			
Owners of the Company		(87,178)	(75,479)
Non-controlling interests		<u>7</u>	<u>(28)</u>
		<u>(87,171)</u>	<u>(75,507)</u>

	<i>Note</i>	2023 RMB'000	2022 RMB'000
Other comprehensive (expense)/income			
<i>Items that will not be reclassified to profit or loss:</i>			
Financial assets at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		(6,067)	493
Gains on property valuation		–	1,883
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of a foreign operation		381	(433)
Other comprehensive (expense)/income for the year, net of tax		<u>(5,686)</u>	<u>1,943</u>
Total comprehensive expense for the year		<u><u>(92,857)</u></u>	<u><u>(73,564)</u></u>
Attributable to:			
Owners of the Company		(92,864)	(73,536)
Non-controlling interests		<u>7</u>	<u>(28)</u>
		<u><u>(92,857)</u></u>	<u><u>(73,564)</u></u>
Loss per share attributable to owners of Company	<i>11</i>		
Basic and diluted		<u><u>RMB(0.05)</u></u>	<u><u>RMB(0.05)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2023

	<i>Note</i>	2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		–	34,389
Investment properties		38,013	11,140
Intangible assets		–	1,668
Financial assets at fair value through other comprehensive income		56,282	62,349
Other receivables		50,000	62,063
Investments in associates		4,650	5,876
Deferred tax assets		6,720	6,720
Other non-current assets		–	22,794
Total non-current assets		155,665	206,999
Current assets			
Inventories		997	2,147
Financial assets at fair value through profit or loss		6,750	13,108
Trade receivables	<i>12</i>	4,859	5,321
Other receivables		52,479	75,654
Prepayments and other current assets		17,876	23,489
Cash and bank balances		173,732	172,437
Total current assets		256,693	292,156
TOTAL ASSETS		412,358	499,155
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		2,454	2,454
Reserves		366,818	458,997
		369,272	461,451
Non-controlling interests		(673)	(680)
TOTAL EQUITY		368,599	460,771

	<i>Note</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
LIABILITIES			
Current liabilities			
Trade payables	<i>13</i>	11,810	4,784
Other payables and accrued expenses		3,618	11,160
Contract liabilities		927	2,127
Income tax payables		20,794	20,313
Total current liability		37,149	38,384
Non-current liability			
Bank borrowing		6,610	–
Total non-current liability		6,610	–
TOTAL LIABILITIES		43,759	38,384
TOTAL EQUITY AND LIABILITIES		412,358	499,155
NET CURRENT ASSETS		219,544	253,772

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

Wisdom Sport 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 Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its ultimate controlling party was Ms. Ren Wen (also known as Ms. Ren Guozun), who was also the Chairlady of the Board of the Company during the Report Period. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company in China is No. 020, Room 303, 3rd Floor, Block 10, Courtyard No.2, No.2 Shangjialou Road, Chaoyang District, Beijing, the People’s Republic of China (the “**PRC**”). 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 operation and marketing services, and sports services in the PRC.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and with the disclosure requirements of the Hong Kong Companies Ordinance.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current year of the Group. Note 3 to the consolidated financial statements provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior years reflected in these consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the June 2020 and December 2021 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Described below, application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on the application of Amendments to HKAS 1 and HKFRS Practice Statements 2 Disclosure of Accounting Policies

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the HKFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

(b) New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

4. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Events operation and marketing income	26,320	4,017
Sports services income	<u>5,923</u>	<u>959</u>
	<u>32,243</u>	<u>4,976</u>

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Timing of revenue recognition		
– At a point in time	32,243	4,503
– Over time	<u>–</u>	<u>473</u>
	<u>32,243</u>	<u>4,976</u>

5. OTHER INCOME

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Investment income from treasury products	1,393	3,817
Interest income from loans to companies	2,306	2,721
Dividend income from financial assets		
at fair value through other comprehensive income	2,989	–
Interest income	7,357	1,415
Rental income	411	419
Others	<u>1,889</u>	<u>624</u>
	<u>16,345</u>	<u>8,996</u>

6. OTHER GAIN OR LOSS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Impairment loss on property, plant and equipment	(16,262)	–
Impairment loss on intangible assets	(832)	–
Exchange gains	6,832	858
Fair value changes on financial assets at fair value through profit or loss	(326)	(7,358)
Gain on disposals of property, plant and equipment	1,027	–
Gain on disposals of investment properties	13,561	–
Fair value changes on investment properties	(4,235)	(930)
Others	(233)	(10)
Loss on deregistration of subsidiaries	–	(103)
	<u>(468)</u>	<u>(7,543)</u>

7. SEGMENT INFORMATION

Information reported to the Chief Executive Officer, being the chief operating decision maker (“CODM”), for the purpose of resources allocation and assessment of segment performance focuses on types of services provided.

The Group has two reportable operating segments, which are (a) Events Operation and Marketing; and (b) Sports Services.

The Group’s operating and reportable segments are as follows:

Events Operation and Marketing	Providing mainly marketing services in conjunction with sports-related competitions. Type of revenue includes mainly corporate sponsorship income.
Sports Services	Providing services mainly to government, marathon runners and media companies in conjunction with sports-related competitions. Types of revenue include mainly live broadcasting and program production income, individual consumption income, and rental income from equipment.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment results are measured as gross (loss)/profit of each segment without allocation of selling and distribution expenses, general and administrative expenses, finance costs, other income, other gain or loss, share of results of associates, net provision of impairment losses on other receivables, net provision of impairment losses on interest in associates and income tax expense. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

No segment assets or liabilities information or other segment information is provided as the CODM does not review this information for the purpose of resource allocation and assessment of segment performance.

The segment information provided to the CODM for the reportable segments for the years ended 31 December 2023 and 2022 is as follows:

Year ended 31 December 2023

	Events Operation and Marketing RMB'000	Sports Services RMB'000	Total RMB'000
Revenue	26,320	5,923	32,243
Cost of services	<u>(26,545)</u>	<u>(6,538)</u>	<u>(33,083)</u>
Segment results	<u>(225)</u>	<u>(615)</u>	<u>(840)</u>
Other income			16,345
Other gain or loss			(468)
Selling and distribution expenses			(7,109)
General and administrative expenses			(44,240)
Share of results of associates			(1,130)
Net provision of impairment losses on other receivables			(43,570)
Net provision of impairment losses on interest in associates			(96)
Finance costs			(63)
Income tax expense			<u>(6,000)</u>
Loss for the year			<u><u>(87,171)</u></u>

Year ended 31 December 2022

	Events Operation and Marketing RMB'000	Sports Services RMB'000	Total RMB'000
Revenue	4,017	959	4,976
Cost of services	<u>(1,276)</u>	<u>(200)</u>	<u>(1,476)</u>
Segment results	<u>2,741</u>	<u>759</u>	<u>3,500</u>
Other income			8,996
Other gain or loss			(7,543)
Selling and distribution expenses			(3,663)
General and administrative expenses			(26,407)
Share of results of associates			(1,607)
Net provision of impairment losses on other receivables			(9,293)
Net provision of impairment loss on interest in associates			(31,486)
Income tax expense			<u>(8,004)</u>
Loss for the year			<u><u>(75,507)</u></u>

Geographical information

Information about the Group's revenue from external customers is presented based on the location of the operation of subsidiaries. For revenue from events operation and marketing and sports services, it is presented based on the location where the contract is negotiated and effected.

The following table provides an analysis of the Group's revenue from external customers and non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
PRC	32,243	4,976	50,000	132,054
United Kingdom	<u>—</u>	<u>—</u>	<u>38,013</u>	<u>—</u>
	<u><u>32,243</u></u>	<u><u>4,976</u></u>	<u><u>88,013</u></u>	<u><u>132,054</u></u>

Note: Non-current assets excluded financial assets at fair value through other comprehensive income, interests in associates and deferred tax assets.

8. INCOME TAX EXPENSE

Income tax expense has been recognised in profit or loss as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
PRC Enterprise Income Tax (“EIT”)		
Withholding tax	(6,000)	(8,000)
Under-provision in prior years	<u> –</u>	<u> (4)</u>
	<u>(6,000)</u>	<u>(8,004)</u>

No provision for Hong Kong Profits Tax was required since the Group had no assessable profits in Hong Kong for the years ended 31 December 2023 and 2022.

PRC EIT has been provided at a rate of 25% (2022: 25%)

Pursuant to the PRC law on EIT, 10% withholding income tax will be levied on foreign investors for dividend distribution 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.

Tax charged on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

9. LOSS FOR THE YEAR

The Group’s loss for the year is stated after charging the following:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Amortisation of intangible assets	836	733
Cost of inventories utilised	497	37
Depreciation of property, plant and equipment	11,849	12,853
Staff costs		
– Salaries, bonuses and allowances	18,514	8,614
– Retirement benefits scheme contributions	297	272
Auditor’s remuneration	<u>950</u>	<u>1,000</u>

10. DIVIDENDS

The Board of Directors does not recommend the payment of any dividend in respect of the years ended 31 December 2023 and 2022.

11. LOSS PER SHARE

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Loss attributable to owners of the Company		
Loss for the purpose of calculating basic and diluted loss per share	<u>(87,178)</u>	<u>(75,479)</u>

	2023 '000	2022 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>1,592,942</u>	<u>1,592,942</u>

The computation of diluted loss per share did 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 years ended 31 December 2023 and 2022.

12. TRADE RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	17,489	17,951
Allowance for impairment of trade receivables	<u>(12,630)</u>	<u>(12,630)</u>
	<u>4,859</u>	<u>5,321</u>

The Group generally allows an average credit period of 180 days (2022: 180 days) for its customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

The aging analysis of trade receivables, net of allowance for impairment of trade receivables, presented based on the invoice dates is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 month	2,390	3,461
1 to 3 months	–	–
4 to 6 months	–	–
7 to 12 months	132	371
Over 1 year	<u>2,337</u>	<u>1,489</u>
	<u>4,859</u>	<u>5,321</u>

The carrying amounts of the Group's trade receivables are all denominated in RMB.

13. TRADE PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables	<u>11,810</u>	<u>4,784</u>

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. The aging analysis of trade payables based on the invoice dates is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 month	6,920	–
1 to 3 months	281	–
4 to 6 months	–	–
7 to 12 months	–	–
Over 1 year	<u>4,609</u>	<u>4,784</u>
	<u>11,810</u>	<u>4,784</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP OVERVIEW

2023 is a year of rapid recovery and restart of various industries after the end of the novel coronavirus pandemic, during which the sports industry that had suffered the impact of the pandemic over the past three years has ushered in the dawn of recovery, and with the continuous release of demand for mass sports, especially outdoor sports, the industry has been reinvigorated based on its accumulated energy, and the market has become active and entered a new phase of prosperous development.

Since the beginning of the year, the Group has closely communicated with various event organizers and local governments. In the first half of the year, while successfully operating various types of events including “2023 Tangwangcheng Desert Automobile and Motorcycle Race*” (“2023唐王城沙漠汽摩賽”), “The 5th Session of Trailwalk Conference of Jinhua City*” (“金華市第五屆毅行大會”), “2023 Tumushuke Marathon Trials*” (“2023圖木舒克馬拉松選拔賽”), “2023 3rd Session of Tangwangcheng Cup Basketball League*” (“2023第三屆唐王城杯籃球聯賽”) and “2023 Tonggu Half Marathon and Hero Marathon Series (Tonggu Station)*” (“2023銅鼓半程馬拉松暨英雄馬系列賽(銅鼓站)”), the Group also actively explored and prepared for the bidding and negotiations on various marathon events in the second half of the year, and achieved rich results.

In the second half of the year, the Group successfully operated various types of events including the 2023 Nanchang Marathon* (“2023南昌馬拉松”), the 33rd Session of Dalian Marathon* (“第33屆大連馬拉松”), the 2023 Tiemenguan Half Marathon* (“2023鐵門關半程馬拉松”), the 2023 Tumushuke Marathon* (“2023圖木舒克馬拉松”) and the 2023 Lu’an Marathon* (“2023六安馬拉松”), which were well appraised by the organizers, local governments, participants and sponsors.

Meanwhile, after making professional research and judgment on the current market development trend of the sports industry and the direction of the in-depth extension of our own brand value, we focused on the marathon operation business in which we have accumulated many years of extensive experience, and tried to pursue opportunities in the field of high-end sports events operation.

On this basis, in 2023, the Group continued to broaden its operational thinking to aggressively explore possible opportunities for various sports events at home and abroad, actively approached and communicated with related parties, and achieved phased results. These early efforts have also laid a good foundation for the diversification of the Group’s business expansion in 2024.

* For identification purpose only

OUTLOOK OF THE INDUSTRY AND THE GROUP

Outdoor sports are sports activities mainly carried out in the form of competition, fitness, and leisure relying on the natural environment, and serve as an important component of the public fitness service system at a higher level. In 2024, a series of sports events will take place both domestically and internationally. The commencement of the Paris Olympic Games, the Copa America and other prestigious competitions will further stimulate the public enthusiasm for sports, and inspire people's willingness to participate in outdoor sports, contributing to a booming outdoor sports market.

The Group is firmly optimistic about the development prospects of the global sports industry, and under the backdrop of the rising public enthusiasm for sports and the rapid development of the sports industry, the Company will also rely on its own business foundation for professional events operation to grasp the development trend of the sports market at home and abroad, and in response to the increasingly upgraded, constantly enriched and further personalized demand of consumers for sports consumption services, the Company will actively develop diversified business patterns with more in-depth and extensive connotations rooting in the sports market, continuously release the operational capabilities of the Group to expand the target customer base and market share, and enter the field of high-end sports events operation at home and abroad, so as to improve the Company's brand value building ability to a higher level.

In 2024, the Group will focus on the following two tasks:

I. Professional events operation and high-end sports services

On 2 March 2024, the Group successfully held the “2024 HKU Global CEO Golf Celebrity Invitation • Singapore Station*” (“2024香港大學全球CEO高爾夫名人邀請賽•新加坡站”), which is the first international high-end golf event held by the Group. Starting from the successful holding of this event, the Group will formally enter the field of overseas high-end golf events operation, and further diversify its product mix through business expansion for the operation of high-end sports events such as golf to avoid project homogenisation and better meet the needs of different sports enthusiasts, thereby broadening the Group's revenue sources.

High-value individuals constitute the most influential consumer group in the outdoor sports market by contributing nearly 60% of the market share because they prefer high-end sports such as golf and skiing and demonstrate a stronger inclination towards premium commodities. Simultaneously, as the sports market becomes more segmented and consumer demands diversify, Low-to-mid-end customers have gradually started engaging in niche high-end sports activities such as golf to satisfy their pursuit of quality and uniqueness. Consequently, the golf market holds considerable prospects.

* *For identification purpose only*

At a time when global green sports are booming and the public enthusiasm for sports activities is surging, the Group will rely on its successful experience accumulated in offline sports events for many years to vigorously develop the high-end golf events operation business at home and abroad, so as to provide sports enthusiasts and consumers with more diversified sports games and product content and higher level of professional sports services.

For this purpose, the Group considers the feasibility of establishing a premium club (1661 Club) dedicated to providing high-end sports events services for members through integrating the world-renowned golf courses resources to bring club members a one-stop golf service experience in golfing destinations around the globe, including course reservations, visas, air tickets, hotels, catering, spectating, sightseeing, shopping, and other personalized services required by members.

In the future, 1661 Club will continue to focus on building the brand into an industry benchmark in the field of professional events operation and high-end sports services with golf as the core project, and the Group will also make unremitting endeavor to strive for the continuous development of this professional events operation and high-end sports services business.

II. Artificial Intelligence (AI) asset management services

In recent years, the global scientific and technological development has never stopped, and new technologies have emerged one after another. Especially since 2023, AI-Generated Content (AIGC) has experienced explosive development driven by the success of global phenomenal applications represented by ChatGPT, and the disruptive development of AI has swept from the wave of scientific and technological revolution to the wave of industrial revolution, and AI technology is constantly penetrating into various industries and fields, accelerating the deep integration of industries.

The Group has carefully reviewed the evolving trend of cutting-edge technology represented by AI, which is developing rapidly, and its huge potential and investment value. To actively respond to the call of this era in which a new round of scientific and industrial revolution is in full swing, the Group is considering the feasibility of developing a new business with cutting-edge technology asset management services as the core, for which the Group will focus on building an investment holding platform for emerging technology industry featured by globalization, high-technology and large capital, identify the most cutting-edge and valuable potential investment and merger opportunities in high-tech fields, and explore the infinite possibilities of application services for cutting-edge technology-empowered industries (such as AI+ industry).

In 2024, the Group will firmly grasp the market opportunities in the industry with great development potential and broad prospects to explore potential demand, adhere to new positioning and new strategies to promote the high-quality development of the two principle businesses of professional events operation and high-end sports services and cutting-edge technology asset management services, and develop the Group into a comprehensive enterprise focusing on the sports industry and radiating the fields of sports and health, membership services, high-tech asset management and financial services, for which the Group will be determined to innovate, strive for progress, and actively embrace a new future in a new posture.

FINANCIAL REVIEW

During the Reporting Period, the Group had two business divisions which represented two reportable operating segments, namely:

- (a) the Events Operation and Marketing segment, which mainly provides marketing services in conjunction with sports-related competitions. Its revenue includes mainly corporate sponsorship income; and
- (b) the Sports Services segment, which provides services mainly to government, marathon runners and media companies in conjunction with sports-related competitions. Its revenue includes mainly live broadcasting and program production income, individual consumption income, and rental income from equipment.

Revenue

The Group's revenue increased by approximately 547.4% to RMB32.24 million for the year ended 31 December 2023 from RMB4.98 million for the year ended 31 December 2022. The increase was mainly due to the increase in the number of events operated by the Group following the gradual resumption of the sports industry and the gradual return to normal operations of sports events and large-scale events after the COVID-19 pandemic. Details based on reportable segments are as follows:

- Revenue of the Events Operation and Marketing segment increased by 556.4% to RMB26.32 million for the year ended 31 December 2023 from RMB4.02 million for the year ended 31 December 2022; and
- Revenue of the Sports Services segment increased by approximately 510.3% to RMB5.92 million for the year ended 31 December 2023 from RMB0.96 million for the year ended 31 December 2022.

Cost of Services

The Group's cost of services increased by approximately 2,135.1% to RMB33.08 million for the year ended 31 December 2023 from RMB1.5 million for the year ended 31 December 2022. The increase was mainly due to the increase in the number of events operated by the Group following the gradual return to normal operations of sports events, resulting in an increase in cost of events. Details based on reportable segments are as follows:

- Cost of the Events Operation and Marketing segment increased by 1,974.2% to RMB26.55 million for the year ended 31 December 2023 from RMB1.28 million for the year ended 31 December 2022; and
- Cost of the Sports Services segment increased by approximately 3,165.0% to RMB6.53 million for the year ended 31 December 2023 from RMB0.2 million for the year ended 31 December 2022.

Gross (Loss)/Profit Margin

As a result of the aforementioned factors, the Group recorded a gross loss of RMB0.84 million for the year ended 31 December 2023 as compared to a gross profit of RMB3.50 million recorded for the year ended 31 December 2022. The Group recognised a gross loss margin of 2.6% for the year ended 31 December 2023 as compared to a gross loss margin of 70.3% for the year ended 31 December 2022. Details based on reportable segments are as follows:

- As a result of the foregoing changes in revenue and cost of services of the Events Operation and Marketing segment, the Group recorded a gross loss for the Events Operation and Marketing segment of RMB0.23 million for the year ended 31 December 2023 as compared to a gross profit of RMB2.74 million recorded for the year ended 31 December 2022. The Group recognised a gross loss margin of 0.9% for the year ended 31 December 2023 as compared to a gross profit margin of 68.1% for the year ended 31 December 2022; and
- As a result of the foregoing changes in revenue and cost of services of the Sports Services segment, the gross profit of the Group decreased by approximately 179.2% to a gross loss of RMB0.62 million for the year ended 31 December 2023 from RMB0.77 million for the year ended 31 December 2022, and the gross profit margin decreased to a gross loss margin of 1.7% for the year ended 31 December 2023 from 2.2% for the year ended 31 December 2022.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately 94.3% to RMB7.11 million for the year ended 31 December 2023 from RMB3.66 million for the year ended 31 December 2022. The increase was mainly due to the business expenses incurred by the Group in the operation of the events.

General and Administrative Expenses

The Group's general and administrative expenses increased by approximately 67.6% to RMB44.24 million for the year ended 31 December 2023 from RMB26.40 million for the year ended 31 December 2022. The increase was mainly due to the increase in labour costs in the Group's general and administrative expenses arising from the resumption of operations and the expansion of new businesses.

Other Income

The Group's other income increased by approximately 83.7% to RMB16.35 million for the year ended 31 December 2023 from RMB8.90 million for the year ended 31 December 2022. The increase was mainly due to the increase in income from short-term bank wealth management products and fixed income interest during the year.

Other Gain or Loss

The Group's other gain or loss decreased by approximately 93.8% to a net loss of RMB0.47 million for the year ended 31 December 2023 from the net loss of RMB7.54 million for the year ended 31 December 2022. The decrease was mainly due to the increase in impairment loss on property, plant and equipment of underlying assets.

Loss before Income Tax

As a result of the foregoing, the Group's loss before income tax increased by approximately 20.3% to RMB81.20 million for the year ended 31 December 2023 from RMB67.50 million for the year ended 31 December 2022.

Income Tax Expense

The Group's income tax expense decreased by 25.0% to RMB6.00 million for the year ended 31 December 2023 from RMB8.00 million for the year ended 31 December 2022. The decrease was due to the decrease in the withholding and payment of corporate income tax on the dividend paid by the subsidiaries in China to the parent company in Hong Kong.

Loss Attributable to the Owners of the Company

As a result of the foregoing, the loss attributable to the owners of the Company increased by approximately 15.5% to RMB87.20 million for the year ended 31 December 2023 from RMB75.50 million for the year ended 31 December 2022.

Cash Flow

As at 31 December 2023, the Group's cash and bank balances amounted to approximately RMB173.73 million as compared to that cash and bank balances of approximately RMB172.40 million as at 31 December 2022.

Working Capital

The Group's net current assets decreased by approximately 13.5% to RMB219.50 million as at 31 December 2023 from RMB253.80 million as at 31 December 2022. The current asset value of the Group decreased, while the working capital was maintained at a relatively high level that can adequately meet the daily working capital requirements and finance the business development.

Capital Expenditure

The Group's total expenditure on the acquisition of property, plant and equipment and investment properties amounted to RMB0.9 million and RMB37.1 million respectively for the year ended 31 December 2023 (year ended 31 December 2022: Nil).

Bank Borrowings

The Company had bank borrowings of RMB6.60 million as at 31 December 2023 (year ended 31 December 2022: Nil).

Foreign Exchange

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Treasury Policies

The Company continues to adopt a prudent financial management approach towards its treasury policy. The Board will closely monitor the liquidity position to ensure that the liquidity structure of the Company's assets, liabilities and other commitments meets its funding requirements from time to time.

Financial Ratio

The Company's current ratio as at 31 December 2023 was approximately 690.9% (as at 31 December 2022: 761.1%), which represents a ratio of current assets to current liabilities. Gearing ratio was approximately 10.61% (as at 31 December 2022: 7.69%).

CAPITAL STRUCTURE OF THE GROUP

The reorganisation of the Group 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 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. As at the date of this announcement, no option has been exercised. 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 alteration in the capital structure of the Group for the year ended 31 December 2023.

CHARGE ON ASSETS

As at 31 December 2023, there was no charge on the Group's assets (2022: Nil).

CONTINGENT LIABILITIES

As at 31 December 2023, the Company had no material contingent liabilities (2022: Nil).

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil). The Company did not declare payment of an interim dividend for the six months ended 30 June 2023.

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 2023.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the "AGM") is expected to be held on Wednesday, 26 June 2024. 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, 21 June to Wednesday, 26 June 2024, both days inclusive. To be eligible to attend and vote at the AGM, all completed transfer document(s) 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, 20 June 2024 for registration.

CORPORATE GOVERNANCE CODE

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to formulate its business strategies and policies, and to enhance its transparency and accountability.

The Company has applied the principles/code provisions as set out in Part 2 of the Corporate Governance Code (the "CG Code") contained in Appendix C1 to the Listing Rules. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conducts and affairs of the Company.

The Board is of the view that throughout the year ended 31 December 2023, the Company has fully complied with the code provisions as set out in Part 2 of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

During the year ended 31 December 2023, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules as the code for dealing in securities of the Company by the Directors. Specific enquiry has been made with all the Directors and each of the Directors has confirmed that he/she has complied with the Model Code throughout the year ended 31 December 2023.

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 throughout the year ended 31 December 2023.

AUDIT COMMITTEE

The Company has established the audit committee (the “**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules and with terms of reference in compliance with the code provision D.3 of the CG Code for the purpose of reviewing the financial information and providing supervision on the financial reporting system and the review of the risk management and internal control systems (including the Anti-corruption Policy and Whistleblowing Policy of the Company) as well as the effectiveness of the internal audit function of the Group.

As at the date of this announcement, the Audit Committee comprises three members, namely Mr. Chen Zhijian (chairman), Mr. Jin Guoqiang and Mr. Lee Kin Fai, all being independent non- executive Directors.

The Audit Committee communicated with the external auditor of the Company to discuss the review process and accounting issues of the Company. The Audit Committee, together with the management of the Company, has reviewed the audited consolidated financial results of the Group for the year ended 31 December 2023 and considers that the results are in compliance with generally accepted accounting principles as well as the applicable laws and regulations.

AUDITOR

Elite Partners CPA Limited has been appointed as the auditor of the Company with effect from 30 November 2021 subsequent to the resignation of RSM Hong Kong. The consolidated financial statements of the Company for the year ended 31 December 2023 had been audited by Elite Partners CPA Limited.

The figures of the Group’s results for the year ended 31 December 2023 as set out in this announcement have been agreed by the Group’s auditor, Elite Partners CPA Limited, to be the same amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Elite Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Elite Partners CPA Limited on this announcement.

CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRS that are first effective in the Reporting Period, certain of which are relevant to the Group’s consolidated financial statements for the year ended 31 December 2023. For details, please refer to Note 3 to the consolidated financial statements in this announcement.

SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND PLANS FOR SIGNIFICANT INVESTMENT OR ACQUISITION OF CAPITAL ASSETS IN THE FUTURE

Investment in the trust schemes

On 23 February 2023, Wisdom Sports Entertainment (Zhejiang) Co., Ltd.* (智美體育文化(浙江)有限公司) (“**Zhejiang Wisdom**”), a wholly-owned subsidiary of the Company, entered into the trust scheme agreement with Minmetals International Trust Co., Ltd.* (五礦國際信託有限公司) (“**Minmetals International Trust**”), pursuant to which Zhejiang Wisdom agreed to invest in the Minmetals Trust – Jinxiu Zengli No. 5 Trust Scheme* (五礦信託 – 錦繡增利5期集合資金信託計劃) (the “**Minmetals Trust Scheme**”) established by Minmetals International Trust for a total of RMB10.0 million. The Minmetals Trust Scheme will invest in bonds in the PRC, which include government bonds, urban investment bonds, bonds listed on stock exchanges and bonds issued by banks. The Minmetals Trust Scheme does not guarantee to capital protection and minimum return. The expected annualised rate of return is 4.0%.

On the same date, Beijing Wisdom Media Holding Co., Ltd.* (北京智美傳媒股份有限公司) (“**Beijing Wisdom Media**”), a wholly-owned subsidiary of the Company, entered into the trust scheme agreement with China Fortune International Trust Co., Ltd.* (華鑫國際信託有限公司) (“**China Fortune International Trust**”), pursuant to which Beijing Wisdom Media agreed to invest in the China Fortune International Trust – Xinyijia No. 303 Trust Scheme Fourth Unit Trust* (華鑫信託•信益嘉303號集合資金信託計劃第四信託單元) (the “**China Fortune Trust Scheme**”) established by China Fortune International Trust for a total of RMB10.0 million. The China Fortune Trust Scheme will invest in senior and secondary class asset-backed securities with a focus on high-quality asset securitization entities. The China Fortune Trust Scheme does not guarantee to capital protection and minimum return. The expected annualised rate of return is 4.3%.

Please refer to the announcement of the Company dated 23 February 2023 for details.

Disposal of properties

On 11 April 2023, Beijing Wisdom Media Holding Co., Ltd. (北京智美傳媒股份有限公司) as vendor has entered into an agreement with Beijing Enze Hengyuan Technology Co., Ltd. (北京恩澤恒遠科技有限公司), Beijing Enze Shengqiang Technology Co., Ltd. (北京恩澤盛強科技有限公司), Beijing Enze Xingtu Technology Co., Ltd. (北京恩澤星圖科技有限公司), Beijing Enze Jiaye Technology Co., Ltd. (北京恩澤嘉業科技有限公司), Beijing Enze Guangyu Technology Co., Ltd. (北京恩澤廣宇科技有限公司), Beijing Enze Xingchen Technology Co., Ltd. (北京恩澤星辰科技有限公司), Beijing Enze Qihang Technology Co., Ltd. (北京恩澤起航科技有限公司) and Beijing Enze Haohan Technology Co., Ltd. (北京恩澤浩瀚科技有限公司) as purchasers, pursuant to which the vendor has agreed to sell and the purchasers have agreed to purchase the properties at the aggregate consideration of approximately RMB32.89 million.

* *For identification purpose only*

Please refer to the announcement of the Company dated 11 April 2023 for details.

Provision of loans

1. *Beijing Allx loan*

On 2 November 2017, Zhejiang Wisdom, Beijing Allx and China Merchants Bank Beijing Guanghua Road branch entered into a loan agreement (the “**2017 Beijing Allx Loan Agreement**”), pursuant to which Zhejiang Wisdom agreed to entrust China Merchants Bank to provide a two-year loan of RMB50 million to Beijing Allx, which bears interest at a rate of 4.75% per annum.

On 1 November 2019, Zhejiang Wisdom and Beijing Allx entered into a new loan agreement to renew the loan. Save for the extension of the repayment date, other terms under the 2017 Beijing Allx Loan Agreement remained unchanged.

On 28 October 2022, Zhejiang Wisdom and Beijing Allx entered into a new loan agreement (the “**2022 Beijing Allx Loan Agreement**”) to renew the loan and amend the interest rate from 4.75% to 3.65% per annum.

2. *Eastern Green loan*

On 17 September 2018, Zhejiang Wisdom and Eastern Green entered into the Eastern Green loan agreement, pursuant to which Zhejiang Wisdom agreed to provide a short-term loan of RMB20 million to Eastern Green which bears interest at a rate of 5% per annum from 30 September 2018 to 28 December 2018. The Eastern Green loan was guaranteed by Yingkou Tongfang Energy Technology Co., Ltd. (營口同方能源技術有限公司), a subsidiary of Eastern Green.

On 30 September 2018, Zhejiang Wisdom and Eastern Green entered into the first supplemental agreement to Eastern Green loan agreement to amend its principal amount to RMB10 million and extend its term to 29 March 2019. On 29 March 2019 and 30 September 2019, Zhejiang Wisdom and Eastern Green entered into the second and third supplemental agreements to further extend the term of the loan to 30 September 2021, secured with a commercial property located in Beijing, the PRC.

On 30 September 2021, Zhejiang Wisdom and Eastern Green entered into the fourth supplemental agreement to extend its term to 30 September 2024 and amend the interest rate to 4.5% per annum. Save for the extension of the repayment date and the change of the interest rate, other terms under the Green Eastern loan agreement remained unchanged.

3. *Listing Rules implication*

As the ultimate beneficial owners of Beijing Allx and Eastern Green are related, the transactions in relation to the Beijing Allx loan and the Eastern Green loan shall be aggregated pursuant to Rule 14.22 of the Listing Rules.

4. *Reasons for the breach of the Listing Rules and remedial measures*

The Company believed that the renewal of the Beijing Allx loan and the Eastern Green loan did not constitute new transactions because no new capital was lent in respect of the loans. The Group only extended the repayment of the respective loans and lowered the interest rate. In addition, as the Beijing Allx loan and the Eastern Green loan were negotiated separately and were granted to counterparties not within the same group of companies, the Company believed that the Beijing Allx loan and the Eastern Green loan would not be subject to the aggregation requirements under Rule 14.22 of the Listing Rules. As a result, the Company did not notify, announce or seek the approval from shareholders for the extension of the Beijing Allx loan under the 2022 Beijing Allx Loan Agreement and the Eastern Green loan under the fourth supplemental agreement to Eastern Green loan agreement in a timely manner in accordance with the Listing Rules which constituted a breach of Chapter 14 of the Listing Rules at the material time.

The Company had no intention to circumvent from the applicable requirements under Chapter 14 of the Listing Rules in relation to the transactions regarding the Beijing Allx loan and the Eastern Green loan. The Board and senior management of the Group have been fully aware of the relevant requirements under the Listing Rules and in order to prevent the re-occurrence of the similar noncompliance with the Listing Rules in the future and ensure full compliance with the Listing Rules on an on-going basis, the Company has adopted several remedial measures.

Please refer to the announcement of the Company dated 25 August 2023 for details.

Save as disclosed in this announcement, the Company had no other significant investment, acquisition and disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2023 and, as at the date of this announcement, has no specific plans for significant investment or acquisition of material capital assets in the future.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Subscription of notes

On 8 January 2024, Auto Culture Group Holdings Limited, an indirect wholly owned subsidiary of the Company, has subscribed to the offer of the notes issued by CMB International Global Products Limited (the “**Issuer**”) and guaranteed by CMB International Capital Corporation Limited (the “**Guarantor**”) for a total subscription amount of US\$1.25 million (equivalent to HK\$9,760,538).

As the notes under the subscription had been fully redeemed, on 27 February 2024, Auto Culture Group Holdings Limited has further subscribed to the offer of the notes issued by the Issuer and guaranteed by the Guarantor for a total subscription amount of US\$2.9 million (equivalent to approximately HK\$20,873,911).

Please refer to the announcements of the Company dated 8 January 2024 and 27 February 2024 for details.

Disposal of shares by a controlling shareholder

On 23 January 2024, Queen Media Co., Ltd (“**Queen Media**”), a controlling shareholder (as defined under the Listing Rules) of the Company and the entire equity interest of which is deemed to be ultimately held by Ms. Ren Wen, disposed an aggregate of 400,000,000 shares of the Company to an independent third party at an average price of HK\$0.25 per share, with an aggregate consideration of HK\$100,000,000. Upon completion of the such disposal, Queen Media and Ms. Ren Wen ceased to be controlling shareholders (as defined in the Listing Rules) of the Company.

Please refer to the announcement of the Company dated 23 January 2024 for details.

Change of directors, composition of board committees, company secretary and authorised representative

On 23 January 2024, Dr. Shen Wei has resigned as an executive Director and a member of the remuneration committee of the Board (the “**Remuneration Committee**”); Ms. Hao Bin has resigned as an executive Director, the company secretary and an authorised representative for the purpose of Rule 3.05 of the Listing Rules of the Company; and Mr. Ip Kwok On Sammy has resigned as an independent non-executive Director, a member of each of the Audit Committee and the nomination committee of the Board (the “**Nomination Committee**”).

Subsequent to the resignation of Dr. Shen Wei, Ms. Hao Bin and Mr. Ip Kwok On Sammy, Mr. Wong Man Keung has been appointed as an executive Director, a co-chairman of the Board, a member of the Remuneration Committee and the chairman of the Nomination Committee; Ms. Ren Song has been appointed as an executive Director and a co-chairlady of the Board; Mr. Lee Kin Fai has been appointed as an independent non-executive Director and a member of each of the Audit Committee and the Nomination Committee; and Ms. Gao Wenjuan has been appointed as an independent non-executive Director.

Please refer to the announcement of the Company dated 23 January 2024 for details.

Subscription of new shares under general mandate

On 6 March 2024 (after trading hours), the Company entered into a subscription agreement with ND Medical Technology Limited (the “**Subscriber**”), pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 310,000,000 shares of the Company at the subscription price of HK\$0.139 per subscription share (the “**Subscription Shares**”). The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Board by a resolution of the Shareholders passed at the annual general meeting of the Company held on 28 June 2023.

On 15 March 2024, all conditions under the subscription agreement have been fulfilled and the Subscription Shares have been successfully subscribed by the subscriber.

The gross proceeds and net proceeds from the subscription is approximately HK\$43.1 million and HK\$43.0 million respectively. The net proceeds are intended to be used for the development of sports events and provision of sports services and working capital of the Group.

Please refer to the announcements of the Company dated 6 March 2024, 7 March 2024 and 15 March 2024 for details.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, for the year ended 31 December 2023 and as at the date of this announcement, the Company has maintained sufficient public float as required under the Listing Rules.

PUBLICATION OF 2023 ANNUAL RESULTS AND 2023 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 (<https://www.hkexnews.hk>) and the Company (<http://www.wisdomsports.com.cn>), and the 2023 annual report of the Company, containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company who have elected to receive printed copies and published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
Wisdom Sports Group
Ren Wen
Co-Chairlady and Executive Director

Hong Kong, 28 March 2024

As at the date of this announcement, the executive Directors are Ms. Ren Wen, Mr. Sheng Jie, Mr. Wong Man Keung and Ms. Ren Song; and the independent non-executive Directors are Mr. Chen Zhijian, Mr. Lee Kin Fai, Mr. Jin Guoqiang and Ms. Gao Wenjuan.