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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)

**(1) SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022;
(2) DISCLOSEABLE AND MAJOR TRANSACTIONS
IN RELATION TO THE PROVISION OF THE LOANS;
AND
(3) DISCLOSURE PURSUANT TO RULE 13.13
OF THE LISTING RULES**

Reference is made to the annual report of the Wisdom Sports Group (the “**Company**”) for the year ended 31 December 2022 published on 26 April 2023 (the “**Annual Report**”). Unless otherwise defined in this announcement or the context requires, capitalized terms herein shall have the same meaning as those defined in the Annual Report.

In addition to the information provided in the Annual Report, the board of directors of the Company (the “**Board**”) would like to provide additional information regarding the disclosure with respect to impairment losses on investment in associates for the year ended 31 December 2022.

IMPAIRMENT LOSS ON INTEREST IN ASSOCIATE

As disclosed in the Annual Report, the Company recorded impairment loss on interest in associate of RMB31,486,000 for the year ended 31 December 2022 (the “**Impairment Losses**”), which comprised of impairment on investment of YTG of RMB28,560,000 (the “**YTG Impairment Losses**”) and investment of GTYK of RMB953,000 (the “**GTYK Impairment Losses**”). The YTG Impairment Losses were made based on accessing the investments using discounted cash flow method using a discount rate of 16% and the GTYK Impairment Losses were made based on accessing the investments using discounted cash flow method using a discount rate of 13.2%. The Company referenced the weighted average cost of capital as its discount rate when performing the impairment assessment. To the best of the Company’s understanding, the principal activities of YTG was

financial services in Hong Kong and GTYK was engaged in the provision of services for technology development in the PRC. In view of the different industries, the Company applied the above different discount rates to reflect their business risk and expected return of their respective industries.

YTG Impairment Losses

Details of the investment of YTG

On 25 March 2020, the Company entered into a non-legally binding memorandum of understanding with LPD Investments Limited (“**LPD Investments**”), pursuant to which, the Company agreed to acquire the non-majority controlling interest of a company incorporated in the British Virgin Islands which is the holding company of two corporations being licensed by the Securities and Futures Commission (the “**SFC**”) to, subject to certain conditions, carry on regulated activities in Hong Kong under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). On 12 May 2020, the Company entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”) with LPD Investments (as vendor) and its ultimate beneficial owner, Mr. Kwok Wai Tak (as guarantor), pursuant to which the Company conditionally agreed to acquire and LPD Investments conditionally agreed to sell 49% of the issued share capital of Yuan Tong Global Financial Group Limited (“**YTG**”) at a consideration of HK\$53,410,000. On 26 February 2021, the Company entered into a supplemental agreement to the Sale and Purchase Agreement with LPD Investments and Mr. Kwok Wai Tak, pursuant to which, the parties agreed to, among other things, amend percentage of the equity of YTG to be acquired from 49% to 34% and the consideration was changed to HK\$37,060,000. On 26 March 2021, the acquisition of YTG was completed.

Please refer to the Company’s announcements dated 25 March 2020, 12 May 2020, 26 February 2021 and 26 March 2021 for details.

Details of the underlying reasons for, or the events and circumstances leading to the recognition of the YTG Impairment Loss

As an investee, YTG would provide the Company its management account semi-annually. With reference to the management account of YTG for the year ended 31 December 2022, the Company observed that revenue recognised for the year ended 31 December 2022 was approximately HK\$24,923 (equivalent to RMB22,000). Upon consulting with the management of YTG, the Company was informed that most of YTG’s business activities were suspended due to Covid-19 pandemic. YTG is the holding company of two corporations licensed by the Securities and Futures Commission to, subject to certain conditions, carry on regulated activities in Hong Kong under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). As a result of the Covid-19 pandemic, the operations of the two subsidiaries have not recovered nor resumed under the challenging economic environment. Although the management of YTG has taken a proactive approach to secure opportunities with potential clients, they estimated that the potential revenue and profits generated from these opportunities would be less than the costs (including labor costs, rental costs, etc.) incurred.

As discussed with the management of YTG, considering the likelihood where the potential revenue and profits would not be able to cover the costs of operations, they were reluctant to resume its operations and hence no formal business plan was formulated. Based on the then valuation and market conditions, it was also expected that YTG would not generate revenue in the next five years. Therefore, the relevant balance was fully impaired for the year ended 31 December 2022.

Basis and key assumptions used in determining the YTG Impairment Loss

The Board and the audit committee of the Board understood the recoverable amount of YTG is calculated by discounted cash flow model. YTG expected that it would not generate revenue in the next five years and therefore the discounted cashflow would be close to zero. Hence, the Board and the audit committee of the Board considered the impairment losses of RMB28.6 million is fair and reasonable.

The Company also engaged a valuer to prepare a valuation report for the purpose of assessing the YTG Impairment Loss. Other than the discount rate, the Company considered the major assumption applied in the assessment are as follows:

	FY2022	FY2021	Difference	Reason of change
Average gross margin ratio	0.00%	64.64%	(64.64%)	Please refer to note below.
Average revenue growth ratio	0.00%	8.74%	(8.74%)	Please refer to note below.
Terminal growth rate	2.50%	2.50%	0.00%	No significant change

Note: YTG expected that it would not generate revenue in the next five years and therefore the average gross margin ratio and average revenue growth ratio are 0.00%. Thus, the discounted cashflow would be close to zero. Hence, the Board and the audit committee of the Board considered the impairment losses of RMB28.6 million is fair and reasonable.

GTWK Impairment Losses

Details for the investment of GTWK

On 24 August 2016, the Company’s subsidiary, Beijing Wisdom Sports Industry Co., Ltd. (北京智美體育產業有限公司) (“**Beijing Wisdom Sports**”) entered into a capital increase agreement with Beijing Guotai Yinke Technology Company Limited (北京國泰銀科科技有限公司) (“**GTWK**”) and its shareholders, Wang Guangyu, Liu Ying and Chen Ronggang, pursuant to which Beijing Wisdom Sports agreed to acquire 20% equity interest of GTWK at a consideration of RMB8,000,000 (the “**GTWK Acquisition**”). To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, GTWK, Wang Guangyu, Liu Ying and Chen Ronggang are independent from the Company and its connected persons (as defined in the Listing Rules). As the highest applicable

ratio of the GTYK Acquisition was less than 5%, the GTYK Acquisition and the transactions contemplated thereunder do not constitute notifiable transactions under Chapter 14 of the Listing Rules.

GTYK is a company established in the PRC with limited liability and principally engaged in the provision of network communication and technical services. After the GTYK Acquisition, GTYK planned to participate in the information service procurement which does not allow the participation by foreign invested companies. Thus, on 6 July 2020, Beijing Wisdom Sports, GTYK, Beijing Wisdom Media Holding Co., Ltd. (北京智美傳媒股份有限公司) (“**Beijing Wisdom Media**”), Wang Guangyu, Liu Ying and Chen Ronggang entered into a share transfer agreement, pursuant to which Beijing Wisdom Sports transferred its 20% equity interest in GTYK to Beijing Wisdom Media, a VIE control company of the Group (the “**GTYK Transfer**”). The Group controls Beijing Wisdom Media through contractual arrangements and does not hold any of its shares. Thus, all the shareholders of Beijing Wisdom Media are individuals and/or companies established in the PRC. After the GTYK Transfer, GTYK is qualified to participate in information service procurement. As the GTYK Transfer was an internal transfer and did not involve any connected persons at an issuer level, the GTYK Transfer did not constitute notifiable transactions under Chapter 14 or connected transactions under Chapter 14A of the Listing Rules.

Details of the underlying reasons for, or the events and circumstances leading to the recognition of the GTYK Impairment Loss

Since GTYK is not a significant investment to the Group, the Group normally obtains its management account on a semi-annual basis. With reference to the management account of GTYK for the year ended 31 December 2022, the Company observed that the revenue recognised was approximately RMB3.2 million, which was less than the forecasted revenue of approximately RMB7.7 million in 2021. Therefore, the Company believes that the investment in GTYK showed signs of impairment. As discussed with the management of GTYK, the difference between the recognised revenue and the forecasted revenue was due to (a) GTYK’s major clients had significantly reduced their procurement budgets as a result of the outbreak of Covid-19 and (b) GTYK revisited and downsized its original business plans under the cash flow pressure caused by the extension of receivable collection period in its industry.

Basis and key assumptions used in determining the GTYK Impairment Loss

The Board and the audit committee of the Board understood the recoverable amount of GTYK is calculated by discounted cash flow model. The revenue decreased would result in a decrease in the cash flow projection with a stable net profit ratio. Also, the Lack of Control Discount (“**LoCD**”) in the discounted cash flow model increased from 10.00% in 2021 to 20.00% in 2022. The LoCD is derived from the inverse of control premium (“**CP**”) sourced from Bloomberg (i.e. $1-(1/(1+CP))$), the CP increased from 13.4% in 2021 to 25.5% in 2022, which resulted in the increase in LoCD. Hence, the Board and the audit committee of the Board considered the impairment losses of RMB953,000 is fair and reasonable.

The Company engaged a valuer to prepare a valuation report for the purpose of assessing the GTYK Impairment Loss. The Company considered the major assumption applied in our assessment are as follows:

	FY2022	FY2021	Difference	Reason of change
Discount rates	13.20%	12.80%	0.40%	No significant change
Average gross margin ratio	45.60%	36.80%	8.80%	Please refer to note 1 below.
Average revenue growth ratio	7.40%	6.70%	0.70%	Please refer to note 2 below.
Terminal growth rate	2.00%	2.00%	0.00%	No significant change
LoCD	10.00%	20.00%	(10.00%)	Please refer to note 3 below.

Notes:

1. The Company indicated that GTYK underwent cost cutting measures especially in terms of staff costs under the costs of sales, which led to an increase in gross margin assumption. The Company considered the expected gross profit margin over the projection period was within the range of actual gross profit margin. Hence, the Company considered such assumption is reasonable.
2. The increase in sales growth is mainly driven by hardware sales. The Company indicated that Covid-19 negatively impacted its sales performance in this segment for the past years, and the Company anticipated a sales recovery after Covid-19 throughout the projection period. Given that the revenue dropped by 50% in FY2022 and the base is lower, the slight increase in growth rate is considered not unreasonable.
3. LoCD increased from 10.00% in 2021 to 20.00% in 2022. The LoCD is derived from the inverse of CP sourced from Bloomberg (i.e. $1-(1/(1+CP))$), the CP increased from 13.4% in 2021 to 25.5% in 2022, which result in the increase in LoCD.

BEIJING ALLX LOAN

2017 Beijing Allx Loan Agreement

On 2 November 2017, 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, Beijing Allx Health Technology Co., Ltd. (北京全向時空健康科技有限公司) (“**Beijing Allx**”) and China Merchants Bank Beijing Guanghai Road branch entered into an entrust loan agreement, pursuant to which Zhejiang Wisdom agreed to entrust China Merchants Bank to provide a two-year loan (the “**Beijing Allx Loan**”) of RMB50 million to Beijing Allx, which bears interest at a rate of 4.75% per annum (the “**2017 Beijing Allx Loan Agreement**”).

2019 Beijing Allx Loan Agreement

On 1 November 2019, Zhejiang Wisdom and Beijing Allx entered into a loan agreement to renew the Beijing Allx Loan (the “**2019 Beijing Allx Loan Agreement**”). Save for the extension of the repayment date, other terms under the 2017 Beijing Allx Loan Agreement remained unchanged. Please refer to the announcements of the Company dated 3 November 2019 and 8 November 2019 for details.

2022 Beijing Allx Loan Agreement

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

The principal terms of the 2022 Beijing Allx Loan Agreement are set out below:

Date	28 October 2022
Principal amount	RMB50 million
Term	1 November 2022-31 October 2025
Annual interest rate (%)	3.65%, the interest shall be paid on 30 June and 31 December each year. The interest rate is determined after arm’s length negotiation between the parties to the 2022 Beijing Allx Loan Agreement and with reference to the prevailing market rates.
Security/Guarantee	The Beijing Allx Loan was secured by the real estate of Chu Haitao in Beijing, the PRC.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, Beijing Allx and Mr. Chu Haitao are independent from the Company and its connected persons (as defined in the Listing Rules).

As at 31 December 2022, the outstanding interest to be received from Beijing Allx was approximately RMB6,433,400. Beijing Allx did not pay the interest according to the agreed payment schedule since 2020 due to the adverse effect caused by the Covid-19. The Company agreed to extend its payment dates after taking into consideration (a) the value of the secured real estate of Chu Haitao exceeded the principal and outstanding interest to be received from Beijing Allx, and (b) the business cooperation with Beijing Allx.

Credit assessment procedures

Before entering into the 2017 Beijing Allx Loan Agreement, China Merchants Bank Beijing Guanghua Road branch had conducted due diligence against Beijing Allx and agreed to provide entrusted loans to Beijing Allx based on the due diligence results and an in-person interview with Ms. Yu Qing, the legal representative of Beijing Allx. The internal control/credit assessment policy of the Company required that all the loans provided by the Company to Beijing Allx must be secured by real estates from 2019. As disclosed in the announcements of the Company dated 3 November 2019 and 8 November 2019, the Beijing Allx Loan under the 2019 Beijing Allx Loan Agreement was guaranteed by Mr. Chu Haitao, Mr. Chu Haidong and Ms. Zhang Jingkai, who are relatives of each other and secured by their real estates in Beijing. The Company (a) reviewed Beijing Allx's financial information regularly to assess the recoverability of the Beijing Allx Loan and (b) engaged an independent valuer every six months to assess the valuation of the secured real estate of Mr. Chu Haitao to ensure the value of the secured property exceeding the principal amount and outstanding interest to be paid by Beijing Allx.

Reasons for and benefits of entering into the 2022 Beijing Allx Loan Agreement

Beijing Allx is principally engaged in the technological development and sales of health food products, functional food products and beverages. The Group is principally engaged in the operation and marketing of sports events and provision of sports services in the PRC, with a special emphasis on the development and extension of the sports industry chain. The Group has established long-term and mutually beneficial cooperation with Beijing Allx. Beijing Allx intended to use the proceeds from the Beijing Allx Loan to expand and develop its business and continue to consolidate its business foundation in the healthcare industry. The business expansion of Beijing Allx would complement the Group's business strategy and enhance the Group's growth potential in the healthcare industry.

Based on the report regarding the expected credit losses on financial assets prepared by an independent valuer as at 31 December 2022, the value of the above real estate of Mr. Chu Haitao was approximately RMB82 million, which was in excess of the principal amount and outstanding interest to be received from Beijing Allx.

Given (a) the value of the secured real estate of Mr. Chu Haitao exceeding the principal and outstanding interest to be received from Beijing Allx, and (b) the Beijing Allx Loan could bring business opportunities for the Company, the Directors believe that the terms of the 2022 Beijing Allx Loan Agreement are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

Information on Zhejiang Wisdom and Beijing Allx

Zhejiang Wisdom is a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company. Zhejiang Wisdom is principally engaged in the operation, organization and execution of large-scale sports events.

Beijing Allx is a company established under the laws of the PRC with limited liability and is principally engaged in the technological development and sales of health food products, functional food products and beverages. Ms. Yu Qing is the legal representative of Beijing Allx. The ultimate beneficial owners of Beijing Allx are Mr. Chu Haitao and Ms. Yu Qing, the wife of Mr. Chu Haitao.

The Group engaged Beijing Allx to develop and produce health management products in 2017. Beijing Allx Technology Co., Ltd. (北京全向時空科技有限公司), a company controlled by Mr. Chu Haitao also provided aerial photography and software supporting services for the Group's marathon events from 2016 to 2019. As at the date of this announcement, all these transactions have been completed.

EASTERN GREEN LOAN

Eastern Green Loan Agreement

The Board also wishes to announce that, on 17 September 2018, Zhejiang Wisdom and Eastern Green Energy (Beijing) Technology Co., Ltd. (東方綠能(北京)科技有限公司) ("**Eastern Green**") entered into a loan agreement, pursuant to which Zhejiang Wisdom agreed to provide a short-term loan (the "**Eastern Green Loan**") of RMB20 million to Eastern Green which bears interest at a rate of 5% per annum (the "**Eastern Green Loan Agreement**"). The principal terms of the Eastern Green Loan Agreement are set out below:

Date	17 September 2018
Principal amount	RMB20 million
Term	30 September 2018-28 December 2018
Annual interest rate (%)	5%, the interest shall be paid on 28 December 2018. The interest rate is determined after arm's length negotiation between the parties to the Eastern Green Loan Agreement and with reference to the prevailing market rates.
Security/Guarantee	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) (" Yingkou Tongfang "), a subsidiary of Eastern Green.

First Supplemental Agreement

On 30 September 2018, Zhejiang Wisdom and Eastern Green entered into a supplemental agreement to amend its principal amount to RMB10 million and extend its term to 29 March 2019 (the “**First Supplemental Agreement**”). The principal terms of the First Supplemental Agreement are set out below:

Date	30 September 2018
Principal amount	RMB10 million
Term	30 September 2018-29 March 2019
Annual interest rate (%)	5%, the interest shall be paid on 28 December 2018 and 29 March 2019. The interest rate is determined after arm’s length negotiation between the parties to the First Supplemental Agreement and with reference to the prevailing market rates.
Security/Guarantee	The Eastern Green Loan was guaranteed by Yingkou Tongfang.

Second Supplemental Agreement

On 29 March 2019, Zhejiang Wisdom and Eastern Green entered into the second supplemental agreement (the “**Second Supplemental Agreement**”) to further extend the term of the Eastern Green Loan. The principal terms of the Second Supplemental Agreement are set out below:

Date	29 March 2019
Principal amount	RMB10 million
Term	29 March 2019-30 September 2019
Annual interest rate (%)	5%, the interest shall be paid on 30 September 2019. The interest rate is determined after arm’s length negotiation between the parties to the Second Supplemental Agreement and with reference to the prevailing market rates.
Security/Guarantee	The Eastern Green Loan was secured by a commercial property located in Beijing, the PRC.

Third Supplemental Agreement

On 30 September 2019, Zhejiang Wisdom and Eastern Green entered into the third supplemental agreement (the “**Third Supplemental Agreement**”) to further extend the term of the Eastern Green Loan. The principal terms of the Third Supplemental Agreement are set out below:

Date	30 September 2019
Principal amount	RMB10 million
Term	30 September 2019-30 September 2021
Annual interest rate (%)	5%, the interest shall be paid on 30 September 2020 and 30 September 2021. The interest rate is determined after arm’s length negotiation between the parties to the Third Supplemental Agreement and with reference to the prevailing market rates.
Security/Guarantee	The Eastern Green Loan was secured by a commercial property located in Beijing, the PRC.

Fourth Supplemental Agreement

On 30 September 2021, Zhejiang Wisdom and Eastern Green entered into a fourth supplemental agreement to extend its term to 30 September 2024 and amend the interest rate to 4.5% per annum (the “**Fourth Supplemental Agreement**”). 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.

The principal terms of the Fourth Supplemental Agreement are set out below:

Date	30 September 2021
Principal amount	RMB10 million
Term	30 September 2021-30 September 2024
Annual interest rate (%)	4.5%, the interest shall be paid on 30 September 2024. The interest rate is determined after arm’s length negotiation between the parties to the Fourth Supplemental Agreement and with reference to the prevailing market rates.
Security/Guarantee	The Eastern Green Loan was secured by a commercial property located in Beijing, the PRC.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Eastern Green is independent from the Company and its connected persons (as defined in the Listing Rules).

As at 31 December 2022, the outstanding interest to be received from Eastern Green was approximately RMB2,062,500. Eastern Green is principally engaged in solid waste treatment and operation business. Due to its business nature, it has to make significant amount of upfront investment and the collection period is relatively long. Thus, the Company agreed that Eastern Green shall pay all the outstanding interests upon the maturity of the Eastern Green Loan.

Credit assessment procedures

The Company has conducted due diligence on Yingkou Tongfang (including reviewing its financial statements, conducting on-site inspections and meetings) before entering into the Eastern Green Loan Agreement. The Company also reviewed its financial statement as at 31 December 2018 to ensure the value of its assets exceeding the principal amount and the interest to be received from Eastern Green.

The internal control/credit assessment policy of the Company required that all the loans provided by the Company to Eastern Green must be secured by real estates from 2019. Accordingly, Eastern Green provided a commercial property as security from the Second Supplemental Agreement. The Company has conducted market research to assess the value of the commercial property before entering into the Second Supplemental Agreement. Since 2020, the Company has engaged an independent valuer to assess the valuation of the secured commercial property every six months.

Reasons for and benefits of entering into the transactions in relation to the Eastern Green Loan

Eastern Green is a solid waste treatment and operation company whose operations are in line with the promotion of carbon neutrality and carbon peak in the PRC. The PRC government issued numerous favorable policies in recent years to support the development of environmental protection industry, and the Company believes that the environmental protection industry will have bright prospect. Accordingly, the Group has been exploring business opportunities to invest in environmental protection related companies. The Group hopes to cooperate with Eastern Green and/or expand its investment in this field with Eastern Green in the future.

The Company has conducted due diligence on Yingkou Tongfang (including reviewing its financial statements, conducting on-site inspections and meetings) before entering into the Eastern Green Loan Agreement. The Company also reviewed the financial statements of Yingkou Tongfang as at 31 December 2018. Based on the above due diligence, the Directors believed that the value of the assets of Yingkou Tongfang exceeded the principal amount and interest to be received from Eastern Green.

Based on the reports regarding the expected credit losses on financial assets prepared by an independent valuer as at 31 December 2019, 31 December 2020, 30 June 2021, 31 December 2021 and 30 June 2022, the respective value of the commercial property was approximately RMB12 million, RMB 11 million, RMB13 million, RMB12 million and RMB13 million, which was in excess

of the principal amount and outstanding interest to be received from Eastern Green. Due to the reduced demand for commercial properties caused by the Covid-19, the value of the commercial property was reduced to approximately RMB5 million as at 31 December 2022. The Directors acknowledged the value reduction and believed that the reduction was only on temporary basis.

Given (a) the value of the secured commercial property was in excess of the principal amount and the interest to be paid by Eastern Green for the most of the time, and (b) the Directors' confidence in the environmental protection industry, the Directors believe that the terms of the Eastern Green Loan Agreement, First Supplemental Agreement, Second Supplemental Agreement, Third Supplemental Agreement and Fourth Supplemental Agreement are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

Information on Eastern Green

Eastern Green is a company established under the laws of the PRC with limited liability and is principally engaged in solid waste treatment and operation. The ultimate beneficial owner of Eastern Green is Mr. Chu Haitao and Mr. Chu Haidong, the brother of Mr. Chu Haitao.

Other than the Beijing Allx Loan, the Eastern Green Loan and the above-mentioned transactions with Beijing Allx and Beijing Allx Technology Co., Ltd. (北京全向時空科技有限公司), the Group has not conducted any other transactions or had any other arrangements with Eastern Green and its ultimate beneficial owners.

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.

As the highest applicable ratio under the 2017 Beijing Allx Loan Agreement was less than 5%, the 2017 Beijing Allx Loan Agreement and the transactions contemplated thereunder did not constitute notifiable transactions under Chapter 14 of the Listing Rules.

As each of the Eastern Green Loan Agreement, the First Supplemental Agreement, the Second Supplemental Agreement, the Third Supplemental Agreement and 2017 Beijing Allx Loan Agreement were entered into or completed within 12 months, each of the Eastern Green Loan Agreement, the First Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement shall be aggregated with 2017 Beijing Allx Loan Agreement. As the highest applicable ratio under each of the Eastern Green Loan Agreement, the First Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement when aggregated with 2017 Beijing Allx Loan Agreement exceeded 5% but was less than 25%, each of the Eastern Green Loan Agreement, the First Supplemental Agreement, the Second Supplemental Agreement and the Third

Supplemental Agreement and the transactions contemplated thereunder constituted discloseable transactions under Chapter 14 of the Listing Rules and were therefore subject to the reporting and announcement requirements under the Listing Rules.

As 2019 Beijing Allx Loan Agreement and the Third Supplemental Agreement were entered into or completed within 12 months, 2019 Beijing Allx Loan Agreement shall be aggregated with the Third Supplemental Agreement. As the highest applicable ratio under the 2019 Beijing Allx Loan Agreement when aggregated with the Third Supplemental Agreement exceeded 5% but was less than 25%, the 2019 Beijing Allx Loan Agreement and the transactions contemplated thereunder constituted discloseable transactions under Chapter 14 of the Listing Rules and were therefore subject to the reporting and announcement requirements under the Listing Rules.

As the Fourth Supplemental Agreement and 2019 Beijing Allx Loan Agreement were entered into or completed within 12 months, the Fourth Supplemental Agreement shall be aggregated with 2019 Beijing Allx Loan Agreement. As the highest applicable ratio under the Fourth Supplemental Agreement when aggregated with the 2019 Beijing Allx Loan Agreement exceeded 25%, the Fourth Supplemental Agreement and the transactions contemplated thereunder constituted major transactions under Chapter 14 of the Listing Rules and were therefore subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules. Further, as the provision of the Eastern Green Loan under the Fourth Supplemental Agreement exceeded 8% (when aggregating with the 2019 Beijing Allx Loan Agreement) under the asset ratio (as defined under Rule 14.07(1) of the Listing Rules), the Fourth Supplemental Agreement and the transactions contemplated thereunder were also subject to the announcement requirement under Rule 13.13 of the Listing Rules.

As 2022 Beijing Allx Loan Agreement and the Fourth Supplemental Agreement were entered into or completed within 12 months, the 2022 Beijing Allx Loan Agreement shall be aggregated with the Fourth Supplemental Agreement. As the highest applicable ratio under the 2022 Beijing Allx Loan Agreement when aggregated with the Fourth Supplemental Agreement exceeded 25%, the 2022 Beijing Allx Loan Agreement and the transactions contemplated thereunder constituted major transactions under Chapter 14 of the Listing Rules and were therefore subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules. Further, as the provision of the Beijing Allx Loan under the 2022 Beijing Allx Loan Agreement exceeded 8% (on a stand-alone basis and when aggregating with the Fourth Supplemental Agreement) under the asset ratio (as defined under Rule 14.07(1) of the Listing Rules), the 2022 Beijing Allx Loan Agreement and the transactions contemplated thereunder were also subject to the announcement requirement under Rule 13.13 of the Listing Rules.

An extraordinary general meeting of the Company will be convened and held for the shareholders of the Company to consider and, if thought fit, to approve the 2022 Beijing Allx Loan Agreement, the Fourth Supplemental Agreement and the transactions contemplated thereunder. A circular containing, among other things, further details of the 2022 Beijing Allx Loan Agreement and the Fourth Supplemental Agreement, a notice of the extraordinary general meeting of the Company and other

information as required under the Listing Rules is expected to be despatched to the shareholders of the Company on or before 25 August 2023 to allow sufficient time for the preparation of the relevant information to be included in the circular.

REASONS FOR THE BREACH OF THE LISTING RULES

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 or announce the transactions contemplated under the Eastern Green Loan Agreement, First Supplemental Agreement, Second Supplemental Agreement and Third Supplemental Agreement nor notify, announce or seek the approval from the shareholders' of the Company 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 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.

As disclosed in the Annual Report, as at 31 December 2022, the Company has allowance for impairment of other receivables of RMB33.8 million (the "Allowance"). The summary of the Allowance for the loans to companies as at 31 December 2022 is as follows:

Summary of Allowance for loans to companies as at 31 December 2022

	Gross carrying amount <i>RMB'000</i>	Expected credit loss ⁽¹⁾ <i>RMB'000</i>	Net amount <i>RMB'000</i>
Non-current	62,063	3,820	58,243
Beijing Allx – Principal	50,000	–	50,000
Eastern Green – Principal and Interest	12,063	3,820	8,243
Current	16,213	4,658	11,555
YTG – Principal	8,780	4,640	4,140
Beijing Guanghejinan Advertisement Company Limited (北京廣和金案廣告有限公司) – Principal	1,000	18	982
Beijing Allx – Interest	6,433	–	6,433
Total	<u>78,276</u>	<u>8,478</u>	<u>69,798</u>

Notes:

1. The expected credit loss was recognized based on the valuer's opinion after taking into consideration factors including the value of secured property, probability of default, loss given default, the period of time loans have been overdue and Moody's credit rating. The Company did not recognize impairment loss for the Beijing Allx Loan because the value of the secured property provided for the Beijing Allx Loan exceeded the principal and outstanding interest to be received from Beijing Allx as at 31 December 2022. The Company recognized impairment loss of RMB3,820,000 for the Eastern Green Loan because the value of the secured property provided for the Eastern Green Loan was less than the principal and outstanding interest to be received from Eastern Green as at 31 December 2022. The Company recognized impairment loss of RMB4,640,000 and RMB18,000 for the loans to YTG and Beijing Guanghejinan Advertisement Company Limited (北京廣和金案廣告有限公司) respectively because these loans were overdue as at 31 December 2022.
2. As disclosed in note 6(c) of the Annual Report, the Company recognized impairment loss (net) for other receivables of approximately RMB9.3 million for the year ended 31 December 2022, including the above expected credit loss.

REMEDIAL MEASURES

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 are now fully aware of the relevant requirements under the Listing Rules and in order to prevent the re-occurrence of the similar non-compliance with the Listing Rules in the future and ensure full compliance with the Listing Rules on an on-going basis, the Company intends to adopt the following remedial measures:

- (a) the Directors have taken all necessary measures to examine the existing loan portfolio of the Group and to ensure that such loans are in full compliance with the Listing Rules;
- (b) the Company will arrange to (i) provide regular trainings and materials on notifiable transactions to all relevant personnel, including senior management of the Group, (ii) hold regular departmental meetings to monitor notifiable transactions, and (iii) strengthen the implementation of its internal control system on transactions, including but not limited to the strengthening of the coordination and reporting arrangements for notifiable transactions among various departments of the Company; and
- (c) for any potential transaction(s) which may constitute new notifiable transaction(s) of the Group, the Company will consult professional advisers and the Stock Exchange (where necessary) in a timely manner prior to the entering into of such transaction(s).

The Company would like to address that the Company will endeavor to carry out necessary measures and appropriate actions for the full compliance with the Listing Rules on an on-going basis.

The information contained in this supplemental announcement does not affect other information contained in the Annual Report. Save as disclosed above, all other information in the Annual report remains unchanged.

By order of the Board
Wisdom Sports Group
Ms. Hao Bin
Company Secretary

Hong Kong, 8 August 2023

As at the date of this announcement, the executive directors of the Company are Ms. Ren Wen, Mr. Sheng Jie, Dr. Shen Wei 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.