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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of Wisdom Sports Group (the “**Company**” or “**Wisdom**”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2020, together with the comparative figures for the corresponding period in 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Six months ended 30 June	
	<i>Note</i>	2020	2019
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	4	1,042	43,527
Cost of services		<u>(5,321)</u>	<u>(70,595)</u>
Gross loss		(4,279)	(27,068)
Other income	5	6,651	9,599
Other losses	6	(9,939)	(256,253)
Selling and distribution expenses		(1,113)	(13,173)
General and administrative expenses		<u>(17,608)</u>	<u>(31,336)</u>
Loss from operations		(26,288)	(318,231)
Finance costs		(19)	(29)
Share of results of associates		<u>(592)</u>	<u>(1,401)</u>
Loss before tax		(26,899)	(319,661)
Income tax credit	8	<u>3,915</u>	<u>24,719</u>
Loss for the period	9	<u><u>(22,984)</u></u>	<u><u>(294,942)</u></u>
Attributable to:			
Owners of the Company		(21,754)	(270,703)
Non-controlling interests		<u>(1,230)</u>	<u>(24,239)</u>
		<u><u>(22,984)</u></u>	<u><u>(294,942)</u></u>

		Six months ended 30 June	
	<i>Note</i>	2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
Other comprehensive 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)		7,529	10,845
		-----	-----
Other comprehensive income for the period, net of tax		<u>7,529</u>	<u>10,845</u>
Total comprehensive income for the period		<u>(15,455)</u>	<u>(284,097)</u>
Attributable to:			
Owners of the Company		(14,225)	(259,858)
Non-controlling interests		<u>(1,230)</u>	<u>(24,239)</u>
		<u>(15,455)</u>	<u>(284,097)</u>
Loss per share attributable to owners of the Company			
	<i>11</i>		
Basic and diluted		<u>RMB(0.01)</u>	<u>RMB(0.17)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	<i>Note</i>	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		76,452	8,977
Right-of-use assets		707	8,494
Investment properties		–	15,692
Goodwill		–	–
Intangible assets		4,191	4,688
Financial assets at fair value through other comprehensive income		79,533	92,176
Other receivables		57,862	59,629
Investments in associates		11,741	12,333
Deferred tax assets		13,049	9,328
Other non-current assets		20,370	78,844
Total non-current assets		263,905	290,161
Current assets			
Inventories		2,276	2,414
Financial assets at fair value through profit or loss		32,909	13,229
Trade and bills receivables	12	26,486	54,964
Other receivables		261,903	129,441
Prepayments and other current assets		40,721	35,105
Cash and cash equivalents		23,016	167,317
Total current assets		387,311	402,470
TOTAL ASSETS		651,216	692,631

	<i>Note</i>	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		2,454	2,454
Reserves		<u>575,603</u>	<u>589,828</u>
		578,057	592,282
Non-controlling interests		<u>5,880</u>	<u>7,110</u>
TOTAL EQUITY		<u>583,937</u>	<u>599,392</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		<u>153</u>	<u>2,871</u>
Current liabilities			
Trade payables	13	32,871	44,092
Other payables and accrued expenses		12,909	19,695
Contract liabilities		84	75
Lease liabilities		566	5,432
Income tax payables		<u>20,696</u>	<u>21,074</u>
Total current liabilities		<u>67,126</u>	<u>90,368</u>
TOTAL LIABILITIES		<u>67,279</u>	<u>93,239</u>
TOTAL EQUITY AND LIABILITIES		<u><u>651,216</u></u>	<u><u>692,631</u></u>
NET CURRENT ASSETS		<u><u>320,185</u></u>	<u><u>312,102</u></u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Wisdom Sports 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 is Ms. Ren Wen, who is also the Chairlady of the Board and President of the Company. 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 7/F, Block 1, No. 16, Xinyuanli, 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

This interim financial information is unaudited and has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. It was authorised for issue on 28 August 2020.

This interim financial information should be read in conjunction with the 2019 annual financial statements, which were prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) (including all HKFRSs, HKASs and Interpretations). The accounting policies (including the critical judgements made by the Directors in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of this interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2019.

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

The HKICPA has issued a number of amendments to HKFRSs that are first effective from 1 January 2020 but these developments do not have a material effect on this interim financial information. The Group has not early adopted any new standard or interpretation that is not effective for the current interim period.

4. REVENUE

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

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Events operation and marketing income	–	8,295
Sports services income	<u>1,042</u>	<u>35,232</u>
	<u>1,042</u>	<u>43,527</u>
	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Timing of revenue recognition		
– At a point in time	<u>1,042</u>	<u>43,527</u>

Revenue recognised at a point in time for the six months ended 30 June 2020 comprises income generated from sports-related competitions by the provision of sports services when the competitions are held (2019: events operation and marketing services and sports services).

5. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest income from treasury products (<i>note (a)</i>)	3,224	4,910
Interest income from loans to companies	2,048	2,035
Interest income from fund investment in a partnership	1,188	2,000
Interest income from short-term bank deposits	19	345
Government grant (<i>note (b)</i>)	152	–
Rental income	–	307
Others	<u>20</u>	<u>2</u>
	<u>6,651</u>	<u>9,599</u>

Notes:

- (a) The Group invested in unlisted treasury products issued by financial institutions in the PRC. The investments are denominated in RMB and with maturity periods within six months. The rates of return range from 2.5% to 8.5% per annum.

- (b) Government grant represents the wage subsidy received under Employment Support Scheme in Hong Kong as a time-limited compensation for expenses incurred without unfulfilled conditions during the economic instability under the novel coronavirus (“COVID-19”) pandemic in the six months ended 30 June 2020.

6. OTHER LOSSES

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Allowance for impairment of trade and bills receivables	(4,974)	(4,218)
(Allowance for)/reversal of allowance for impairment of other receivables	(8,763)	3,563
Exchange gains	855	77
Fair value gain/(loss) on financial assets at fair value through profit or loss	5,121	(11,917)
Loss on disposals of financial assets at fair value through profit or loss	(84)	(2,719)
Impairment of intangible assets	–	(826)
Impairment of investment in an associate	–	(174)
Impairment of goodwill	–	(156,623)
Loss on disposals of property, plant and equipment	(85)	(24)
Loss on disposal of a right-of-use asset	(124)	–
Write-off of an operating right included in intangible assets	–	(84,552)
Others	(1,885)	1,160
	<u>(9,939)</u>	<u>(256,253)</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. Types of revenue include 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 events organisation income, live broadcasting and program production income, individual consumption income and timing services income.

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 of each segment without allocation of selling and distribution expenses, general and administrative expenses, finance costs, other income, other losses, share of results of associates and income tax credit. 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.

No geographical segment information is presented as all the sales and operating losses of the Group are derived within the PRC and all the operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2020 and 2019 is as follows:

Six months ended 30 June 2020

	Events Operation and Marketing RMB'000 (unaudited)	Sports Services RMB'000 (unaudited)	Total RMB'000 (unaudited)
Revenue	–	1,042	1,042
Cost of services	–	(5,321)	(5,321)
Segment results	–	(4,279)	(4,279)
Other income			6,651
Other losses			(9,939)
Selling and distribution expenses			(1,113)
General and administrative expenses			(17,608)
Finance costs			(19)
Share of results of associates			(592)
Income tax credit			3,915
Loss for the period			(22,984)

Six months ended 30 June 2019

	Events Operation and Marketing <i>RMB'000</i> (unaudited)	Sports Services <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)
Revenue	8,295	35,232	43,527
Cost of services	<u>(33,801)</u>	<u>(36,794)</u>	<u>(70,595)</u>
Segment results	<u>(25,506)</u>	<u>(1,562)</u>	(27,068)
Other income			9,599
Other losses			(256,253)
Selling and distribution expenses			(13,173)
General and administrative expenses			(31,336)
Finance costs			(29)
Share of results of associates			(1,401)
Income tax credit			<u>24,719</u>
Loss for the period			<u><u>(294,942)</u></u>

8. INCOME TAX CREDIT

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

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current tax	194	130
Deferred tax	<u>3,721</u>	<u>24,589</u>
	<u><u>3,915</u></u>	<u><u>24,719</u></u>

No provision for Hong Kong Profits Tax was required since the Group had no assessable profits for the six months ended 30 June 2020 and 2019.

PRC Corporate Income Tax has been provided at a rate of 25% (2019: 25%).

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 PERIOD

The Group's loss for the period is stated after charging/(crediting) the following:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Amortisation of intangible assets	497	12,431
Cost of inventories utilised	–	1,077
Depreciation of investment properties	–	630
Depreciation of property, plant and equipment	5,311	2,515
Depreciation of right-of-use assets	345	4,167
Donation	200	–
Fair value (gain)/loss on financial assets at fair value through profit or loss (<i>note 6</i>)	(5,121)	11,917
Loss on disposals of financial assets at fair value through profit or loss (<i>note 6</i>)	84	2,719
Loss on disposals of property, plant and equipment (<i>note 6</i>)	85	24
Loss on disposal of a right-of-use asset (<i>note 6</i>)	124	–
Staff costs		
– Salaries, bonuses and allowances	3,991	16,811
– Retirement benefits scheme contributions	454	2,508
– Share-based payments	–	48
Write-off of an operating right included in intangible assets	–	84,552
Allowance for impairment of trade and bills receivables	4,974	4,218
Allowance for/(reversal of allowance for) impairment of other receivables	8,763	(3,563)
Impairment of goodwill	–	156,623
Impairment of intangible assets	–	826
Impairment of investment in an associate	–	174

10. DIVIDENDS

No dividend was proposed, declared or paid in respect of the six months ended 30 June 2020 and 2019.

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:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss attributable to owners of the Company		
Loss for the purpose of calculating basic and diluted loss per share	<u>(21,754)</u>	<u>(270,703)</u>

	Six months ended 30 June	
	2020	2019
	'000	'000
	(unaudited)	(unaudited)
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 six months ended 30 June 2020 and 2019.

12. TRADE AND BILLS RECEIVABLES

	30 June	31 December
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade and bills receivables	80,618	104,122
Allowance for impairment of trade and bills receivables	<u>(54,132)</u>	<u>(49,158)</u>
	<u>26,486</u>	<u>54,964</u>

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

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Within 1 month	1,376	23,671
1 to 3 months	955	18,700
4 to 6 months	455	2,210
7 to 12 months	16,668	2,939
1 to 2 years	7,032	7,444
	<u>26,486</u>	<u>54,964</u>

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

13. TRADE PAYABLES

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Trade payables	<u>32,871</u>	<u>44,092</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:

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Within 1 month	827	27,564
1 to 3 months	1,641	5,631
4 to 6 months	1,393	1
7 to 12 months	18,276	2,931
Over 12 months	10,734	7,965
	<u>32,871</u>	<u>44,092</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Group Overview

Due to the outbreak of the COVID-19 pandemic worldwide at the beginning of 2020, the cancellation or suspension of many international sports events was announced successively, and particularly the postponement of the 2020 Tokyo Olympic Games was also confirmed. Since all large-scale sports events in China have been under lockdown, the operation of the sports industry therefore had to be suspended. While the loss to global sports economy is inevitable, no sports event organisations and operators in all countries can stand aloof.

The marathon event itself is characterised by high density and large mobility of people. In view of the outbreak of the COVID-19 pandemic, reducing crowd gathering and social distancing are effective measures to strictly control the further spread of the pandemic. Therefore, the General Office of the General Administration of Sport of China issued the “Notice on Temporarily Not Restoring Marathon and Other Sports Events” on 31 March 2020 to ensure the safety and health of the broad masses of the people.

As an operator of many marathon events in China, the Group has also been adversely impacted by the pandemic in terms of its business operations and financial results. Given the continuous spread of the pandemic after the Spring Festival, the management of the Group has discussed and determined a phased strategy of the Company shortly to be well positioned to increase revenue and reduce expenditure and weather the “cold winter” amidst unfavourable conditions. On the one hand, due to inability to resume work as a result of the outbreak of the pandemic, while implementing home isolation, the relevant employees have constantly paid attention to the development and trend of the pandemic, and paid close attention to the policy trends of the General Administration of Sport of China on the organisation and operation of large-scale events, and also maintained continuous communication with many event organising committees to ensure that the Group can carry out events organisation as soon as possible once the lockdown is uplifted. On the other hand, the Group further optimised its costs and expenses, and increased the Group’s capital income through investment in financial products to ensure continuous and stable cash flow of the Group.

In the fields of the events operation and marketing and the sports services, the Group successfully won the bid for the Lu’an Marathon* (六安馬拉松) in the first half of the year and continued to participate in the bidding for the Rongcheng Marathon* (榮成馬拉松). Meanwhile, in the circumstance of inability to operate large-scale offline events, the Group actively worked with event organisers and partners to create online marathon events and organised the 2020 Nanchang Online Hero Marathon* (2020 南昌線上英雄馬). Through the close connections with many runner groups and runners, the Group has actively maintained continuous communication and interaction with runners, and listened to the opinions and suggestions of runners to lay a good foundation for the organisation of large-scale events after resumption of work and production.

Meanwhile, the Group is also actively developing investment opportunities in sports, finance and other related fields in a bid to create a two-wheel driving development model in the “sports + finance” field.

OUTLOOK OF THE INDUSTRY AND THE GROUP

Even though the outbreak of the COVID-19 pandemic has a significant impact on the sports industry, the Group believes that the logic of long-term development of the sports industry and sports consumption will not change. The pandemic outbreak has driven more masses to pay more attention to their own well-being and health, and doing exercise is an important way and means to stay healthy. On the other hand, the mass enthusiasm for sports consumption has only been deferred rather than eliminated and the field of sports events shall recover quickly and rise again after the end of the outbreak.

Based on the judgment of the development trend of the pandemic in the second half of the year that the outbreak will not completely disappear and no vaccine will be available for pandemic prevention in the short term, event operators should consider more how to persist until spring flowers bloom after the outbreak is over. The outbreak of the pandemic has led to the close-down of sports event companies in China. It is believed that only few sports companies can survive the cold winter and the current priority is to keep a low profile and cultivate internal strength in the cold winter to ensure stable and sustainable development of the Company. The opportunities and crisis co-exist, only good self-cultivation can help the Group accumulate comprehensive operational capabilities and financial strength in the face of the competition of high-quality event resources in the industry after sports events are reopened as pandemic eases, thereby achieving rapid re-emergence.

Compared with the rest of the world, China controlled the spread of the pandemic earlier and gradually recovered. At the end of May, the General Administration of Sport of China issued the “Guidance on Orderly Resumption of Sports Events”, which required prudent, safe and orderly resumption of sports events and activities. Currently, China Basketball Association and Chinese Football Association Super League have gradually resumed their games. Although more time is required to resume marathon events because of its nature of large-scale mass event, the Group will continue to maintain close communication with relevant organisers and governments on the sports events to be held in the second half of the year, with an aim to bring more high-quality sports events to runners after the marathon events are resumed, so as to continuously extend its leadership position in the sports industry with full strength.

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 events organisation income, live broadcasting and program production income, individual consumption income and timing services income.

Revenue

The Group's revenue decreased by approximately 97.7% to RMB1.0 million for the six months ended 30 June 2020 from RMB43.5 million for the six months ended 30 June 2019, which was mainly due to the fact that the events could not be organised as scheduled in the first half of the year as a result of the outbreak of the COVID-19 pandemic. Details based on reportable segments are as follows:

- Revenue of the Events Operation and Marketing segment decreased by 100% to RMB Nil for the six months ended 30 June 2020 from RMB8.3 million for the six months ended 30 June 2019; and
- Revenue of the Sports Services segment decreased by approximately 97.2% to RMB1.0 million for the six months ended 30 June 2020 from RMB35.2 million for the six months ended 30 June 2019.

Cost of Services

The Group's cost of services decreased by approximately 92.5% to RMB5.3 million for the six months ended 30 June 2020 from RMB70.6 million for the six months ended 30 June 2019, which was mainly due to the fact that the events could not be organised as scheduled in the first half of the year as a result of the outbreak of the COVID-19 pandemic. Details based on reportable segments are as follows:

- Cost of the Events Operation and Marketing segment decreased by 100% to RMB Nil for the six months ended 30 June 2020 from RMB33.8 million for the six months ended 30 June 2019; and
- Cost of the Sports Services segment decreased by approximately 85.6% to RMB5.3 million for the six months ended 30 June 2020 from RMB36.8 million for the six months ended 30 June 2019.

Gross Loss and Gross Loss Margin

As a result of the aforementioned factors, the gross loss of the Group decreased by approximately 84.1% to RMB4.3 million for the six months ended 30 June 2020 from RMB27.1 million for the six months ended 30 June 2019, and the gross loss margin increased to approximately 430.0% for the six months ended 30 June 2020 from 62.3% for the six months ended 30 June 2019. The changes in both gross loss and gross loss margin were mainly due to the fact that the events could not be organised as scheduled in the first half of the year as a result of the outbreak of the COVID-19 pandemic. 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 gross loss for the Events Operation and Marketing segment decreased by 100% to RMB Nil for the six months ended 30 June 2020 from RMB25.5 million for the six months ended 30 June 2019; and the gross loss margin decreased to 0% for the six months ended 30 June 2020 from 307.2% for the six months ended 30 June 2019; and

- As a result of the foregoing changes in revenue and cost of services of the Sports Services segment, the gross loss for the Sports Services segment increased by 168.8% to RMB4.3 million for the six months ended 30 June 2020 from RMB1.6 million for the six months ended 30 June 2019; and the gross loss margin increased to 430.0% for the six months ended 30 June 2020 from 4.5% for the six months ended 30 June 2019.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by approximately 91.7% to RMB1.1 million for the six months ended 30 June 2020 from RMB13.2 million for the six months ended 30 June 2019. The decrease was mainly attributable to the optimisation of labour cost by the Group and the decrease in promotion and marketing consultancy fees due to the fact that the events could not be organised as scheduled in the first half of the year as a result of the outbreak of the COVID-19 pandemic.

General and Administrative Expenses

The Group's general and administrative expenses decreased by approximately 43.8% to RMB17.6 million for the six months ended 30 June 2020 from RMB31.3 million for the six months ended 30 June 2019. This decrease was mainly due to the enhancement of daily expense management and optimisation of labour cost by the Group.

Other Income

The Group's other income decreased by approximately 30.2% to RMB6.7 million for the six months ended 30 June 2020 from RMB9.6 million for the six months ended 30 June 2019. The decrease was mainly due to the decrease in the income generated from the treasury products purchased from reputable financial institutions.

Other Losses

The Group's other losses decreased by approximately 96.1% to net losses of RMB9.9 million for the six months ended 30 June 2020 from the net losses of RMB256.3 million for the six months ended 30 June 2019. The decrease in losses was mainly due to: (i) the impairment of the goodwill under the Events Operation and Marketing cash-generating unit ("CGU") and the Sports Services CGU; and (ii) the write-off of an exclusive operating right to a "Running in China"* (奔跑中國) marathon event under intangible assets of Beijing Shangde Da'ai Sports Co., Ltd.* (北京上德大愛體育有限公司)("SDDA"), a subsidiary of the Company, during the corresponding period last year.

Loss before Income Tax

As a result of the foregoing, the Group's loss before income tax decreased by 91.6% to RMB26.9 million for the six months ended 30 June 2020 from RMB319.7 million for the six months ended 30 June 2019.

Income Tax Credit

The Group's income tax credit was RMB3.9 million for the six months ended 30 June 2020, while the income tax credit was RMB24.7 million for the six months ended 30 June 2019. The change was mainly due to the reversal of deferred tax liability upon the write-off of an exclusive operating right to a "Running in China"* (奔跑中國) marathon event under intangible assets of SDDA during the corresponding period last year.

Loss Attributable to the Owners of the Company

As a result of the foregoing, the loss attributable to the owners of the Company decreased by 91.9% to RMB21.8 million for the six months ended 30 June 2020 from RMB270.7 million for the six months ended 30 June 2019.

Cash Flow

As at 30 June 2020, the Group's cash and cash equivalents amounted to approximately RMB23.0 million compared with that of approximately RMB167.3 million as at 31 December 2019.

Working Capital

The Group's net current assets increased by approximately 2.6% to RMB320.2 million as at 30 June 2020 from RMB312.1 million as at 31 December 2019. The Group maintained a stable net current asset value and a relatively high level of working capital that can adequately meet the daily working capital requirements and finance the business development.

Capital Expenditure

The Group's total spending on the acquisition of property, plant and equipment amounted to RMB58.4 million for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB0.4 million).

CAPITAL STRUCTURE OF THE GROUP

The reorganisation of the Company and the subsidiaries of the Company 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 of Hong Kong Limited (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 and 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 and 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 six months ended 30 June 2020.

CHARGE ON ASSETS

As at 30 June 2020, there was no charge on the Group's assets.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no material contingent liabilities.

INTERIM DIVIDEND

No interim dividend has been paid or declared by the Company for the six months ended 30 June 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2020.

EVENTS AFTER THE REPORTING PERIOD

Subscription to the Fund

On 13 July 2020, the Group further re-subscribed to a private investment fund (the “**Fund**”) managed by Qianhai Century Fund Management Co., Ltd.* (前海世紀基金管理有限公司) with RMB38,000,000. The Fund mainly invests in various financial assets. The date of interest commencement was 14 July 2020 with an investment time limit of 34 days and was matured on 17 August 2020. Subsequently, the Group further re-subscribed to the same Fund with RMB28,000,000 on 24 August 2020. The maturity date of the investment is 10 November 2020. Please refer to the Company's announcements dated 13 July 2020 and 24 August 2020, respectively, for further details.

Investment in the Trust Scheme

On 15 July 2020, the Group reinvested in a trust scheme (the “**Trust Scheme**”) established by Chang'an International Trust Co., Ltd.* (長安國際信託股份有限公司) with RMB38,000,000. The Trust Scheme invests in various financial assets. The maturity date of the investment is 15 October 2020. Please refer to the Company's announcement dated 15 July 2020 for further details.

LITIGATION

In December 2019, several subsidiaries of the Company began to initiate legal proceedings (the “**Legal Proceedings**”) against Wisdom Sports Arena Operation (Shenzhen) Co., Ltd. (the “**Arena Company**”) in relation to, among others, (i) return of loan; (ii) return of investment; (iii) return of prepayments; and (iv) return of payment on behalf, amounting to a total claim of approximately RMB38.0 million. Most of the Legal Proceedings formally commenced in February 2020. Please refer to the Company’s announcement dated 11 February 2020 for further details.

As at the date of this announcement, bankruptcy proceedings against the Arena Company has been initiated by its creditors and the Group, being one of its creditors, has lodged its creditor’s application to claim against the Arena Company for the outstanding debts.

Save as disclosed in this announcement, there is no occurrence of events that had a significant impact on the Group’s operation, financial and trading prospects since 30 June 2020 and up to the date of this announcement which the Board is aware of.

CORPORATE GOVERNANCE CODE

The Company has applied the principles/code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The Board is of the view that for the six months ended 30 June 2020, the Company has complied with the code provisions set out in the CG Code, save and except for code provision A.2.1. Details are set out below.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Ms. Ren Wen, who acts as the chairlady of the Board and an executive Director, is also the president of the Company and mainly responsible for the implementation of the strategic layout of the Group.

On the other hand, the Board meets regularly to consider major matters affecting the operations of the Group. The Board considers that this structure does not impair the balance of power and authority between the Board and the management of the Group as the Directors and the senior management perform separate duties to assist the chairlady and the president. The Board considers that this structure ensures an effective operation of the Group by exercising consolidated and consistent leadership.

The Company nevertheless understands the importance of compliance with the code provision A.2.1 of the CG Code and will continue to review the structure from time to time and consider separating the roles of chairman/chairlady and president to be held by different individuals as and when appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Listing Rules as the code of conduct regarding directors’ securities transactions. 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 six months ended 30 June 2020.

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 six months ended 30 June 2020.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules and with terms of reference amended on 31 March 2016 and 20 December 2018 in light of amendments to the Listing Rules.

The Audit Committee is established for the purpose of reviewing the financial information and providing supervision on the financial reporting system, risk management and internal control systems as well as the effectiveness of the internal audit function of the Group.

The Audit Committee comprises three members, namely Mr. Chen Zhijian (Chairman), Mr. Jin Guoqiang and Mr. Ip Kwok On Sammy, all being independent non-executive Directors.

The interim results of the Group for the six months ended 30 June 2020 are unaudited and have not been reviewed by the external auditor of the Company. The Audit Committee has reviewed together with the Company’s management the accounting principles and practices adopted by the Group and financial reporting matters including a review of the unaudited consolidated interim results of the Group for the six months ended 30 June 2020. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

PUBLICATION OF 2020 INTERIM RESULTS AND 2020 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.wisdomsports.com.cn), and the 2020 Interim Report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 28 August 2020

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

* *For identification purpose only*