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TOPSPORTS INTERNATIONAL HOLDINGS LIMITED

滔搏國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6110)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2021

FINANCIAL HIGHLIGHTS

		Year ended	
		28 February 2021	29 February 2020
Revenue	RMB million	36,009.0	33,690.2
Gross profit	RMB million	14,681.1	14,187.5
Operating profit	RMB million	3,989.4	3,302.9
Profit attributable to the Company's equity holders	RMB million	2,770.1	2,303.4
Non-IFRS Measure – Adjusted operating profit ⁽¹⁾	RMB million	3,992.3	3,390.3
Non-IFRS Measure – Adjusted profit attributable to the Company's equity holders ⁽¹⁾	RMB million	2,772.3	2,381.9
Gross profit margin	%	40.8	42.1
Operating profit margin	%	11.1	9.8
Profit margin attributable to the Company's equity holders	%	7.7	6.8
Non-IFRS Measure – Adjusted operating profit margin	%	11.1	10.1
Non-IFRS Measure – Adjusted profit margin attributable to the Company's equity holders	%	7.7	7.1
Earnings per share – basic and diluted ⁽²⁾	RMB cents	44.67	40.88
Adjusted earnings per share – basic and diluted, for illustrative purpose ⁽²⁾	RMB cents	44.67	37.14
Dividend per share			
– interim, paid	RMB cents	12.0	12.00
– special, paid	RMB cents	40.0	N/A
– final, proposed	RMB cents	12.0	7.00

Notes:

- (1) *Our adjusted operating profit and adjusted profit attributable to the Company's equity holders are not calculated in accordance with International Financial Reporting Standards ("IFRS"), and they are considered as non-IFRS financial measures. The adjusted operating profit and adjusted profit attributable to the Company's equity holders are adjusted by adding back the effect of the amortization of the intangible assets arising from business combination and listing expenses. We believe that this information is useful for investors in comparing our performance without regard to items that do not affect our ongoing operating performance or cash flow, and it allows investors to consider metrics used by our management in evaluating our performance. Investors should not consider our non-IFRS financial measures a substitute for or superior to our IFRS results of the Group.*

- (2) *Basic earnings per share is calculated by dividing profit attributable to the Company's equity holders of RMB2,770.1 million for the year ended 28 February 2021 (2020: RMB2,303.4 million) by the weighted average number of ordinary shares of the Company in issue of 6,201,222,024 shares (2020: 5,634,470,570 shares). The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share has been retrospectively adjusted for the effect of the Capitalization Issue (as defined in the prospectus of the Company dated 26 September 2019 (the "Prospectus")). 930,184,000 new shares issued pursuant to the global offering of the Company was only accounted for in the calculation of the basic and diluted earnings per share from 10 October 2019. For illustrative purpose and provide with more relevant information for investors, the adjusted earnings per share is calculated by dividing profit attributable to the Company's equity holders by the weighted average number of ordinary shares in issue as stated above and adjusted for as if these new shares have been issued throughout the years presented.*

ANNUAL RESULTS

The board of directors (the “Board” or “Directors”) of Topsports International Holdings Limited (the “Company”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 28 February 2021, together with comparative information, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 28 FEBRUARY 2021

	Note	Year ended	
		28 February 2021 RMB million	29 February 2020 RMB million
Revenue	4	36,009.0	33,690.2
Cost of sales	6	(21,327.9)	(19,502.7)
Gross profit		14,681.1	14,187.5
Selling and distribution expenses	6	(9,655.3)	(9,643.8)
General and administrative expenses	6	(1,242.8)	(1,412.8)
Impairment of trade receivables	6	(25.6)	(19.1)
Other income	5	232.0	191.1
Operating profit		3,989.4	3,302.9
Finance income		140.7	55.3
Finance costs		(279.3)	(272.1)
Finance costs, net	7	(138.6)	(216.8)
Profit before income tax		3,850.8	3,086.1
Income tax expense	8	(1,080.7)	(782.7)
Profit for the year attributable to equity holders of the Company		2,770.1	2,303.4
		RMB cents	RMB cents
Earnings per share for profit attributable to equity holders of the Company for the year			
Basic and diluted earnings per share	9	44.67	40.88

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 28 FEBRUARY 2021

	Year ended	
	28 February	29 February
	2021	2020
	RMB million	RMB million
Profit for the year attributable to equity holders	2,770.1	2,303.4
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Other comprehensive income/(loss)		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange differences	1.2	(0.8)
<i>Items that will not be reclassified to profit or loss</i>		
Exchange differences	50.2	(40.8)
	51.4	(41.6)
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Total comprehensive income for the year attributable to equity holders of the Company	2,821.5	2,261.8
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CONSOLIDATED BALANCE SHEET
AS AT 28 FEBRUARY 2021

		As at	
	Note	28 February 2021 RMB million	29 February 2020 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment		1,019.5	1,153.8
Right-of-use assets		3,624.6	3,908.8
Intangible assets		1,089.6	1,103.3
Long-term deposits, prepayments and other receivables		266.4	255.5
Long-term pledged bank deposits		1,000.0	-
Deferred income tax assets		266.0	237.5
		7,266.1	6,658.9
Current assets			
Inventories	11	6,211.3	6,649.0
Trade receivables	12	2,177.3	1,486.7
Deposits, prepayments and other receivables		822.9	822.0
Pledged term deposits		-	3,594.7
Bank balances and cash		1,228.8	2,823.9
		10,440.3	15,376.3
Total assets		17,706.4	22,035.2

CONSOLIDATED BALANCE SHEET
AS AT 28 FEBRUARY 2021

		As at	
	Note	28 February 2021 RMB million	29 February 2020 RMB million
LIABILITIES			
Non-current liabilities			
Lease liabilities		2,329.2	2,519.9
Deferred income tax liabilities		245.6	73.2
		2,574.8	2,593.1
Current liabilities			
Trade payables	13	445.4	1,105.5
Other payables, accruals and other liabilities		1,516.1	1,593.2
Dividend payable	10	-	1,635.3
Short-term borrowings	14	1,337.2	2,400.0
Lease liabilities		1,319.9	1,344.7
Current income tax liabilities		807.2	820.4
		5,425.8	8,899.1
Total liabilities		8,000.6	11,492.2
Net assets		9,705.8	10,543.0
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		-	-
Other reserves		5,039.7	8,593.4
Retained earnings		4,666.1	1,949.6
Total equity		9,705.8	10,543.0

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 28 FEBRUARY 2021**

	Year ended	
	28 February 2021 RMB million	29 February 2020 RMB million
Cash flows from operating activities		
Net cash generated from operations	5,655.5	6,975.6
Income tax paid	(950.0)	(527.8)
Net cash generated from operating activities	<u>4,705.5</u>	<u>6,447.8</u>
Cash flows from investing activities		
Payments for purchases of property, plant and equipment and intangible assets	(643.1)	(711.9)
Proceeds from disposals of property, plant and equipment	5.9	9.6
Payments for acquisition of a business	(0.5)	(21.4)
Withdrawal/(placement) of pledged term deposits under the cross-border cash pooling arrangement	3,594.7	(3,594.7)
Placement of long-term pledged bank deposits	(1,000.0)	-
Placement of other bank deposits	(460.0)	-
Withdrawal of other bank deposits	460.0	-
Interest received	140.7	21.6
Net cash generated from/(used in) investing activities	<u>2,097.7</u>	<u>(4,296.8)</u>
Cash flows from financing activities		
Proceeds from bank borrowings	1,263.1	800.0
Proceeds from drawing as borrowings under the cross-border cash pooling arrangement	1,460.0	2,000.0
Repayment of drawing as borrowings under the cross-border cash pooling arrangement	(2,460.0)	-
Repayments of bank borrowings	(1,325.9)	(1,500.0)
Payments for lease liabilities (including interest)	(1,960.1)	(1,895.4)
Net proceeds from issuance of ordinary shares	-	7,075.5
Repayments of balances with related companies	-	(3,507.2)
Interest paid for bank borrowings	(81.4)	(88.3)
Dividends paid to then equity holders of the Group	(1,635.3)	(1,864.7)
Dividends paid	(3,658.7)	(744.1)
Net cash (used in)/generated from financing activities	<u>(8,398.3)</u>	<u>275.8</u>
Net (decrease)/increase in cash and cash equivalents	<u>(1,595.1)</u>	<u>2,426.8</u>
Cash and cash equivalents at beginning of the year	2,823.9	450.5
Exchange differences on cash and cash equivalents	-	(53.4)
Cash and cash equivalents at end of the year	<u><u>1,228.8</u></u>	<u><u>2,823.9</u></u>

NOTES

1 GENERAL INFORMATION

Topsports International Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) are principally engaged in the sales of sportswear products and leasing commercial spaces to other retailers for concessionaire sales in the People’s Republic of China (the “PRC”). The address of the Company’s registered office is P.O. Box 309, Uglan House, Grand Cayman KY1-1104, Cayman Islands.

The Company was incorporated in the Cayman Islands on 5 September 2018 as an exempted company with limited liability under the Companies Law (2018 Revision) of the Cayman Islands, Cap.22, (Law 3 of 1961), as amended or supplemented or otherwise modified from time to time.

During the year ended 28 February 2021, there was a change in the Company’s shareholding structure upon distribution of the Company shares (the “Distribution Shares”) by the then immediate holding company of the Company to the respective ultimate beneficial shareholders of the Company (the “Distribution”). Upon completion of the Distribution of the Distribution Shares on 28 December 2020, no entity holds more than 50% equity interest in the Company.

The consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated and have been approved for issue by the Board on 24 May 2021.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in the consolidated financial statements.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 March 2020:

- Definition of Material – Amendments to IAS 1 and IAS 8;
- Definition of Business – Amendments to HKFRS 3;
- Interest Rate Benchmark Reform – Amendments to HKFRS 9, HKAS 39 and HKFRS 7; and
- Revised Conceptual Framework for Financial Reporting.

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current and future periods.

(b) Early adoption of amended standard

Adoption of Amendment to IFRS 16 – Covid-19-Related Rent Concessions

The Group has early adopted Amendment to IFRS 16 - COVID-19-Related Rent Concessions retrospectively from 1 March 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) any reduction in lease payments affects only payments due on or before 30 June 2021; and c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totaling RMB121.8 million have been accounted for as negative variable lease payments and recognised in the consolidated statement of profit or loss for the year ended 28 February 2021, with a corresponding adjustment to the lease liabilities. There is also no material impact on the Group's opening balance of equity at 1 March 2020.

(c) New standard and amendments to standards have been published that are not mandatory for reporting period

A number of new and amended standards are beginning 1 March 2020 and have not been early adopted by the Group:

Amendments to Annual Improvements Project	Annual Improvements to IFRSs 2018-2020 ⁽¹⁾
Amendments to IFRS 3, IAS 16 and IAS 37	Narrow-scope amendments ⁽¹⁾
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ⁽²⁾
IFRS 17	Insurance Contracts ⁽²⁾
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽³⁾

⁽¹⁾ Effective for the Group for annual period beginning on 1 March 2022.

⁽²⁾ Effective for the Group for annual period beginning on 1 March 2023.

⁽³⁾ Effective date to be determined.

The Company's directors have performed an assessment on these new and amended standards and have concluded on a preliminary basis that the adoption of these new and amended standards is not expected to have a significant impact on the Group's financial performance and position.

3 SEGMENT INFORMATION

The Group is principally engaged in sales of sportswear products and leasing commercial spaces to retailers and distributors for concessionaire sales.

CODM has been identified as the executive directors and senior management of the Company. CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the internal reports provided for review by the CODM. The CODM assesses the performance of the Group's business activities as a whole on a regular basis and the directors of the Company consider that the Group has only one reportable segment. Accordingly, no segment information is presented.

All of the Group's revenues are derived from external customers located in the PRC.

As at 28 February 2021 and 29 February 2020, substantially all of the non-current assets of the Group were located in the PRC.

4 REVENUE

	Year ended	
	28 February 2021 RMB million	29 February 2020 RMB million
Sale of goods	35,687.3	33,393.5
Concessionaire fee income	240.2	266.3
Others	81.5	30.4
	<u>36,009.0</u>	<u>33,690.2</u>

5 OTHER INCOME

	Year ended	
	28 February 2021 RMB million	29 February 2020 RMB million
Government incentives (note)	221.3	188.8
Others	10.7	2.3
	<u>232.0</u>	<u>191.1</u>

Note: Government incentives comprise subsidies received from various local governments in the PRC.

6 EXPENSES BY NATURE

	Year ended	
	28 February 2021 RMB million	29 February 2020 RMB million
Cost of inventories recognized as expenses included in cost of sales	21,306.8	19,485.2
Staff costs	3,172.9	3,310.5
Lease expenses (mainly including concessionaire fee expenses)	3,040.4	3,226.0
Depreciation on right-of-use assets	1,923.6	1,751.7
Depreciation on property, plant and equipment	679.9	700.8
Amortization of intangible assets	28.5	56.7
Write-off of intangible assets	2.0	-
Write-off of property, plant and equipment	16.9	14.9
Loss on disposal of property, plant and equipment	3.1	2.8
Impairment of inventories recognized as expenses included in cost of sales	21.1	17.5
Impairment on right-of-use assets (included in selling and distribution expenses)	14.9	43.9
Impairment of trade receivables	25.6	19.1
Other tax expenses	140.6	154.7
Auditors' remuneration	5.2	5.2
Listing expenses	-	51.8
Others	1,870.1	1,737.6
	<hr/>	<hr/>
Total cost of sales, selling and distribution expenses, general and administrative expenses and impairment of trade receivables	32,251.6	30,578.4
	<hr/> <hr/>	<hr/> <hr/>

7 FINANCE COSTS, NET

	Year ended	
	28 February 2021 RMB million	29 February 2020 RMB million
Interest income from bank deposits	140.7	55.3
	<hr/>	<hr/>
Finance income	140.7	55.3
	<hr/>	<hr/>
Interest expense on bank borrowings	(56.4)	(63.3)
Interest expense on lease liabilities	(222.9)	(208.8)
	<hr/>	<hr/>
Finance costs	(279.3)	(272.1)
	<hr/>	<hr/>
Finance costs, net	(138.6)	(216.8)
	<hr/> <hr/>	<hr/> <hr/>

8 INCOME TAX EXPENSE

	Year ended	
	28 February 2021 RMB million	29 February 2020 RMB million
Current income tax - PRC corporate income tax		
- Current year	864.0	803.7
- (Over)/under-provision in prior years	(0.6)	2.2
- Withholding tax	73.4	140.0
Deferred income taxes	143.9	(163.2)
	<u>1,080.7</u>	<u>782.7</u>

Income tax expense has been provided for at the tax rates prevailing in the tax jurisdictions in which the Group operates.

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. Subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% (2020: 16.5%). No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit in Hong Kong.

During the year, most of the PRC established subsidiaries of the Company are subject to the PRC corporate income tax rate of 25% (2020: 25%) except that certain subsidiaries are subject to preferential tax rates ranging from 5% to 15% and other preferential tax treatments (2020: 15% to 20%).

According to applicable tax regulations prevailing in the PRC, dividends distributed by a company established in the PRC to a foreign investor are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong, under the double taxation arrangement between the Mainland China and Hong Kong, the relevant withholding tax rate applicable will be reduced from 10% to 5% subject to the fulfilment of certain conditions.

9 EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated by dividing profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

		Year ended	
		28 February 2021	29 February 2020
Profit attributable to equity holders of the Company	RMB million	<u>2,770.1</u>	<u>2,303.4</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share (note)	thousand of shares	<u>6,201,222</u>	<u>5,634,471</u>
Basic earnings per share	RMB cents	<u>44.67</u>	<u>40.88</u>

Note: The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 29 February 2020 has been retrospectively adjusted for the effect of the capitalization issue which took place on 10 October 2019.

(b) Diluted

Diluted earnings per share presented is the same as the basic earnings per share as there was no potentially dilutive ordinary share outstanding as at 28 February 2021 and 29 February 2020.

10 DIVIDENDS

- (a) At a meeting held on 23 October 2019, the directors declared an interim dividend of RMB12.00 cents or equivalent to HK\$13.14 cents per ordinary share (totaling RMB744.1 million) for the year ended 29 February 2020, which was paid and has been reflected as an appropriation of retained earnings for the year ended 29 February 2020.
- (b) At a meeting held on 27 October 2020, the directors declared an interim dividend of RMB12.00 cents or equivalent to HK\$13.73 cents per ordinary share (totaling RMB744.1 million) and a special dividend of RMB40.00 cents or equivalent to HK\$45.78 cents per ordinary share (totaling RMB2,480.5 million) for the year ended 28 February 2021, which was paid during the year ended 28 February 2021.
- (c) At a meeting held on 25 May 2020, the directors recommended a final dividend of RMB7.00 cents or equivalent to HK\$7.51 cents per ordinary share (totaling RMB434.1 million) for the year ended 29 February 2020, which was paid during the year ended 28 February 2021.
- (d) At a meeting held on 24 May 2021, the directors recommended a final dividend of RMB12.00 cents or equivalent to HK\$14.33 cents per ordinary share (totaling RMB744.1 million) for the year ended 28 February 2021. This proposed dividend is not reflected as dividend payable in the financial statements, but will be reflected in the year ending 28 February 2022.

11 INVENTORIES

	As at	
	28 February 2021	29 February 2020
	RMB million	RMB million
Merchandise for sale and consumables	6,282.0	6,698.6
Less: provision for impairment losses	(70.7)	(49.6)
	<u>6,211.3</u>	<u>6,649.0</u>

The cost of inventories amounting to RMB21,306.8 million (2020: RMB19,485.2 million) and the provision for impairment of inventories amounting to RMB21.1 million (2020: RMB17.5 million) were included in cost of sales during the year ended 28 February 2021.

12 TRADE RECEIVABLES

	As at	
	28 February 2021	29 February 2020
	RMB million	RMB million
Trade receivables	2,195.3	1,539.5
Loss allowance	(18.0)	(52.8)
	<u>2,177.3</u>	<u>1,486.7</u>

The Group's concessionaire sales through department stores are generally collectible within 30 days from the invoice date. As at 28 February 2021, the aging analysis of trade receivables, based on invoice date, is as follows:

	As at	
	28 February 2021	29 February 2020
	RMB million	RMB million
0 to 30 days	2,101.3	1,209.8
31 to 60 days	69.5	191.9
61 to 90 days	1.8	26.7
Over 90 days	22.7	111.1
	<u>2,195.3</u>	<u>1,539.5</u>
Loss allowance	(18.0)	(52.8)
	<u>2,177.3</u>	<u>1,486.7</u>

The carrying amounts of trade receivables approximate their fair values and are denominated in RMB.

13 TRADE PAYABLES

The credit periods granted by suppliers generally range from 0 to 60 days. As at 28 February 2021, the aging analysis of trade payables, based on invoice date, is as follows:

	As at	
	28 February 2021 RMB million	29 February 2020 RMB million
0 to 30 days	431.8	1,072.5
31 to 60 days	1.9	32.0
Over 60 days	11.7	1.0
	<u>445.4</u>	<u>1,105.5</u>

The carrying amounts of trade payables are denominated in RMB. The carrying amounts approximate their fair values due to their short-term nature.

14 SHORT-TERM BORROWINGS

	As at	
	28 February 2021 RMB million	29 February 2020 RMB million
Unsecured bank borrowings (note (a))	337.2	400.0
Secured bank borrowing (note (b))	1,000.0	-
Secured borrowings under a cross-border cash pooling arrangement (note (c))	-	2,000.0
	<u>1,337.2</u>	<u>2,400.0</u>

Notes:

- (a) As at 28 February 2021, the Group's short-term bank loans are unsecured and carried interest at floating rates with weighted average interest rate of 1.3% (2020: 3.5%) per annum. The carrying amounts of the Group's short-term bank loans are denominated in USD and HKD which approximate their fair values.
- (b) As at 28 February 2021, borrowing of RMB1,000.0 million is secured by the long-term pledged bank deposits of RMB1,000.0 million. The carrying amount is denominated in RMB which approximates its fair value. The borrowing carries interest at fixed rate of 2.5% per annum.
- (c) As at 29 February 2020, secured borrowings of RMB2,000.0 million were drawn under a cross-border cash pooling arrangement operating among certain subsidiaries of the Group, which is secured by the pledged term deposits. These borrowings carried interest at fixed rates with weighted average interest rate of 3.1% per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

Looking back on the past year, both the global economy and the retail industry was hindered in various degrees by the global outbreak and continued spread of the Pandemic. China has made steady progress in containing the Pandemic within a relatively short period through timely, rigorous and through prevention measures. In respect of sports industry, although offline sports events have been suspended to various degrees, the public has become more focused on health awareness attributable to the Pandemic, which imperceptibly influenced the changing consumption patterns and occasions. In light of the Pandemic, the release of national policies remained as positive supports for sports industry to achieve quality growth. According to the “14th Five Year Plan”, China will accelerate the implementation of building a leading sports nation and constantly innovate the supply mechanism of sports products to capture new demand for sports consumption. The General Administration of Sport of China estimated that the size of China’s sports industry will account for 4% of its GDP by 2035, and will become an important pillar that support China’s economic progress.

In respond to market dynamics, Topsports chose to react proactively in facing challenges by leveraging our existing advantages and persistently delivered quality earnings growth. Looking back at the beginning of the year, temporary store closures and lower customer traffic had profoundly impact on performance of our directly-operated stores. To rethink and react to the changing market dynamics as well as explore innovative measures to respond, Topsports has swiftly leveraged our existing operating advantages and well-established capabilities. While actively seizing the market opportunities through offline network, we have also cooperated with upstream and downstream partners to expand and accelerate the application and iteration of multiple existing digital tools. Through the store-based social community operation and diversified membership activities and benefits, we seamlessly connected with consumers with high-quality service. With the implementation of targeted prevention and control measures, the nation-wide resumption of work and social production has proceeded steadily. Topsports has once again proved our capabilities in operating adaptability, decision-making and execution, thereby cultivating long-term “Digital Immunity”.

We are constantly proceeding towards our goals steadily and diligently. We remain confident in the long-term development of the China’s sports industry as well as our own ability to provide services for consumers and sports enthusiasts in China with more precision and efficiency through our customer-centric, omnipresent and multi-occasional sportswear retail and service platform in a changing market environment. We believe that we will continue to seize new opportunities in facing new challenges to pursue breakthrough and development at scales.

BUSINESS REVIEW

During the year, the total number of directly-operated stores recorded a net decrease year-on-year as affected by the Pandemic. Nonetheless, benefiting from the continuous consolidation of the strategy of “Optimized Location + Optimized Operation” and the stable expansion of big format stores, we have recorded a year-on-year increase of the total gross selling area amid market headwinds. The number of enrolled members have maintained steady growth with seamless engagement with consumers through multi-occasional connections. Meanwhile, digital transformation with an aim of “Precision and Efficiency” was advancing steadily. The overall profitability has again achieved high-quality growth with breakthrough.

1. Seize Market Opportunities and Achieve Expansion of Directly-operated Retail Network Amid the Pandemic

During the year, we remain focused on optimized selection of store locations and store upgrade for our direct-operated retail store network, accelerating the closure of low-productivity and loss-making stores. Meanwhile, we have proactively upgraded the stores with proven higher sales potential to create a higher-quality interactive shopping experience, so as to enhance our retail network advantages, jointly with our brand partners. We have directly operated 8,006 stores in over 350 cities from tier 1 to 7 cities across the country as at 28 February 2021.

In terms of the number of directly-operated retail stores, we recorded a net decrease of 389 stores with gross selling area increasing by 4.1% as at 28 February 2021 as compared with 29 February 2020. The percentage of stores with average selling area over 150 sq.m continued to grow. Among these, stores over 300 sq.m accounted for 9.4%, representing an increase of 2.1 percentage points as compared with 29 February 2020.

Changes in the number of our stores during the year:

	2018	As at 28 / 29 February		2021
		2019	2020	
Number of stores				
At the beginning of the year	7,605	8,302	8,343	8,395
Opening of new stores	1,639	1,415	1,416	713
Closure of stores	(942)	(1,374)	(1,364)	(1,102)
Net increase/(decrease) in the number of stores	697	41	52	(389)
At the end of the year	8,302	8,343	8,395	8,006

Numbers and percentages of our stores by size:

	2018		As at 28 / 29 February				2021	
	2019	2020	2019	2020	2020	2021	2021	
<i>Store size:</i>								
150 sq.m or smaller	6,268	75.5%	5,947	71.3%	5,732	68.3%	5,192	64.8%
Between 150 and 300 sq.m	1,779	21.4%	1,978	23.7%	2,051	24.4%	2,064	25.8%
Larger than 300 sq.m	255	3.1%	418	5.0%	612	7.3%	750	9.4%
Total	8,302	100.0%	8,343	100.0%	8,395	100.0%	8,006	100.0%

2. Continued Breakthrough of Membership Expansion at Scale through Multi-occasional Connections with Consumers

During the financial year ended 28 February 2021, despite the challenges by the Pandemic to the overall retail industry, we continued to engage with consumers through multi-occasional connections and to offer diversified activities and benefits to members, so as to enhance consumer's perception and recognition of Topsports. The cumulative number of enrolled members have increased significantly, and the percentage of contribution by members to total in-store retail sales (inclusive of VAT) remained at a high level.

In order to improve the recognition of Topsports' brand equity by members, we launched the first nation-wide annual membership event named "Member Festival Week" during the year. With a variety of events organized across settings to combine physical and virtual venues, we took various measures to reactivate inactive members and enhance the member stickiness with the help of targeted marketing campaigns, successfully creating the IP of "Topsports Membership Week".

As the major platform to offer our membership services and functions at full, we launched the TOPSPORTS app on 14 February 2020. The number of users has exceeded 2.7 million as at 28 February 2021. The app integrates content marketing, online purchase, membership activities and other functions all in one. In particular, the new function of social interactive community called "滔 Ker" was launched in the second half of the financial year to create an online sports lifestyle community. Members could share tactics of their sneaker collection and associate with fellows, while also participate in various theme activities.

As at 28 February 2021, our cumulative number of enrolled members reached 40.9 million. During the quarter as of 28 February 2021, 95.3% of the total in-store retail sales (inclusive of VAT) was contributed by our members, continuously remained at a high level.

	As at			
	31 May 2020	31 August 2020	30 November 2020	28 February 2021
Cumulative number of our enrolled members	30.2	33.1	37.3	40.9
Total in-store retail sales value (inclusive of VAT) contributed by members for the quarter ended	96.7%	97.3%	97.1%	95.3%

Unit: Million

3. Deepen our Digital Transformation to Empower Business with "Precision + Efficiency" in Long-term

For Topsports, digitalization is our long-term battle for the future. Digital transformation is achieved by connecting and optimizing the business operation flows through data collection and analysis, including create structure in unstructured data, cultivating systems using existing data structures and enhance data-driven technology systems into more intelligent and sophisticated smart infrastructure, so as to form a closed-loop with efficiency. Looking back on the past year, we mainly applied digital transformation in the following three areas. We enhanced our turnover and operation efficiency by empowering business operations, further enriched our consumer engagement by empowering consumer experience across settings with attractive marketing content to enlarge our membership base and enhance user stickiness. In addition, we empowered consumer insights through refined and precise user labels to generate user profiles with advanced accuracy, which these results could further support our front-end business operations, enabling us to facilitate the needs of our broad consumer groups with precision and efficiency.

During the financial year ended 28 February 2021, benefited from the well-established digital capabilities, we were able to encounter the challenges during the Pandemic while capturing opportunities along with new breakthroughs. During the year, by emphasizing on the implementation of technology-enabled initiatives and making full use of accumulated broad-based data along with unrivalled industry know-how through decades-long history operation, we persistently optimized operation with precision and efficiency. As for the commodity management, our digitalized procurement and merchandise management systems assist in automatically creating base line purchase orders that are tailored to each store, the use of the technological tool which we have completed the application from principle brands to more brands during the financial year, as well as downstream retailers at scale; as for the store management, mobile digital toolkits empower our front-line staffs by applying integrated real-time data, store ranking, sales overview and store manager report, which could enable them to adjust operations and make decisions in real time. By the end of April 2021, mobile digital toolkits have been applied and utilized by nearly all directly-operated stores, serving more front-line staffs in a wider range with an aim to reduce their operational burden.

We continued to enrich consumer experiences and refine our consumer insights empowered by digital approaches, forming a closed-loop involved of consumer engagement and data analysis to enhance our member value. The outbreak of the Pandemic has led to a rapid shift in the major consumption settings of sportswear products. In response, the Company accelerated the flexible application of various digital tools based on our well-established store-based online social communities with continued iteration, these tools include store-level mini-programs and mobile payments. The newly launched function of Taomi (滔米) and flagship store of mini-programs further enabled us to engage with consumers through high-quality products and premium services in a wider scope, respond to their needs with speed and agility. We transformed the role of our sales staff from a shopping assistant to an expert of content topics by initiating more themed topics and content through the TOPSPORTS Official Wechat Account (滔搏公眾號) and TOPSPORTS app. Under the Pandemic, we also enhanced our connected inventory sharing function across settings, which further assisted stores in stock management with technological tools, so as to ensure product supply and reduce merchandising risks.

Outlook and Appreciation

The magic essence of sports not only exists within the sport category itself, but also persists through consistent self-discipline, rigorous training and persistent endurance, both physically and physiological, simply for the next breakthrough. Looking ahead, Topsports will continue to forge ahead towards our goals with focus on the following growth measures, strategically respond to the changes in the industry and maintain continued confidence and perseverance.

- Accelerate digital transformation with a focus on “Precision + Efficiency”
- Continuously expand store networks with “Optimized Location + Optimized Operations”
- Enhance our seamless engagement with consumers through omnipresent, multi-occasional connections
- Expand our brand offerings and deepen cooperation with brand partners
- Further enrich our customer-centric platform offerings

FINANCIAL REVIEW

For the year ended 28 February 2021, the Group recorded revenue of RMB36,009.0 million, an increase of 6.9% compared with that of the year ended 29 February 2020. The Group recorded operating profit of RMB3,989.4 million, an increase of 20.8% compared with that of the year ended 29 February 2020. The profit attributable to the Company's equity holders during the year amounted to RMB2,770.1 million, an increase of 20.3% compared with that of the year ended 29 February 2020.

For the year ended 28 February 2021, the Group recorded adjusted operating profit of RMB3,992.3 million, an increase of 17.8% compared with that of the year ended 29 February 2020. The adjusted operating profit is adjusted by adding back the effect of the amortization of intangible assets arising from business combination of RMB2.9 million (2020: RMB35.6 million) and listing expenses at RMB51.8 million for the year ended 29 February 2020.

For the year ended 28 February 2021, the Group recorded adjusted profit attributable to the Company's equity holders of RMB2,772.3 million, an increase of 16.4% compared with that of the year ended 29 February 2020. The adjusted profit attributable to the Company's equity holders is adjusted by adding back the effect of the amortization of intangible assets arising from business combination, net of deferred tax at RMB2.2 million (2020: RMB26.7 million) and listing expenses at RMB51.8 million for the year ended 29 February 2020.

REVENUE

The Group's revenue increased by 6.9%, from RMB33,690.2 million for the year ended 29 February 2020 to RMB36,009.0 million for the year ended 28 February 2021. The growth was mainly contributed by further enhancement of the store performance, growth in the gross selling area of the directly-operated stores, and higher revenue contributed by the wholesale operations; while the overall revenue growth was inevitably affected by the emergence of the Pandemic in early 2020. The following table sets forth a breakdown of the revenue from sale of goods by brand categories, concessionaire fee income and e-Sports income for the year indicated:

	Year ended		29 February		Growth / (Decline) rate
	28 February 2021		2020		
	Revenue	% of total	Revenue	% of total	
Principal brands*	31,421.2	87.3%	29,489.5	87.5%	6.6%
Other brands*	4,266.1	11.8%	3,904.0	11.6%	9.3%
Concessionaire fee income	240.2	0.7%	266.3	0.8%	(9.8%)
e-Sports income	81.5	0.2%	30.4	0.1%	168.1%
Total	36,009.0	100.0%	33,690.2	100.0%	6.9%

Unit: RMB million

* Principal brands include Nike and Adidas. Other brands include PUMA, Converse, VF Corporation's brands (namely Vans, The North Face and Timberland), Reebok, ASICS, Onitsuka Tiger and Skechers. Principal brands and other brands are classified according to the Group's relative revenue.

The Group sells sportswear products sourced from international sports brands either directly to consumers through the retail operations or to the downstream retailers under the wholesale operations. The following table sets forth the revenue from sale of goods by sales channel, concessionaire fee income and e-Sports income for the year indicated:

	Year ended		29 February		Growth / (Decline) rate
	28 February 2021		2020		
	Revenue	% of total	Revenue	% of total	
Retail operations	30,733.3	85.3%	29,171.0	86.6%	5.4%
Wholesales operations	4,954.0	13.8%	4,222.5	12.5%	17.3%
Concessionaire fee income	240.2	0.7%	266.3	0.8%	(9.8%)
e-Sports income	81.5	0.2%	30.4	0.1%	168.1%
Total	36,009.0	100.0%	33,690.2	100.0%	6.9%

Unit: RMB million

PROFITABILITY

The Group's operating profit increased by 20.8% to RMB3,989.4 million for the year ended 28 February 2021. The profit attributable to the Company's equity holders increased by 20.3% to RMB2,770.1 million for the year ended 28 February 2021.

	Year ended		Growth rate
	28 February 2021	29 February 2020	
Revenue	36,009.0	33,690.2	6.9%
Cost of sales	(21,327.9)	(19,502.7)	9.4%
Gross Profit	14,681.1	14,187.5	3.5%
Gross profit margin	40.8%	42.1%	

Unit: RMB million

Cost of sales increased by 9.4% from RMB19,502.7 million for the year ended 29 February 2020 to RMB21,327.9 million for the year ended 28 February 2021. Gross profit of the Group increased by 3.5% to RMB14,681.1 million for the year ended 28 February 2021 from RMB14,187.5 million for the year ended 29 February 2020.

During the year, the gross profit margin of the Group was 40.8%, decreased by 1.3 percentage points, from 42.1% for the year ended 29 February 2020. Decrease in gross profit margin primarily resulted in more discount offers providing to the customers.

Selling and distribution expenses for the year ended 28 February 2021 were RMB9,655.3 million (2020: RMB9,643.8 million), accounting for 26.8% of the Group's revenue (2020: 28.6%). The selling and distribution expenses primarily include concessionaire and lease expenses, depreciation of right-of-use assets in relation to the stores, sales personnel salaries and commissions, other depreciation and amortization charges, and other expenses which mainly include store operation expenses, property management fees, logistics expenses and online service fees. Comparing to the growth of sales, slightly increase in selling and distribution expenses primarily due to (i) further enhancement of the store performance; (ii) the rent concessions and the government policy of provisional reduction and exemption of social insurance premium as the impact of the Pandemic, partly offset by growth in the gross selling area of the directly-operated stores resulting in an increase in concessionaire and lease expenses, property management fees and other store operation expenses.

General and administrative expenses for the year ended 28 February 2021 were RMB1,242.8 million (2020: RMB1,412.8 million), accounting for 3.5% of the Group's revenue (2020: 4.2%). The general and administrative expenses primarily include lease expenses in relation to offices premises, management and administrative personnel salaries, depreciation and amortization charges, other tax expenses and other expenses. Decrease in general and administrative expenses primarily due to (i) the absence of last year listing expenses while such expenses of RMB51.8 million recorded for the year ended 29 February 2020; (ii) the amortization of the intangible assets arising from business combination was RMB2.9 million while such expense of RMB35.6 million recorded for the year ended 29 February 2020; (iii) decrease in travelling and other expenses.

Finance income increased from RMB55.3 million for the year ended 29 February 2020 to RMB140.7 million for the year ended 28 February 2021, as the average balance of bank deposits and weighted average interest rate for the year ended 28 February 2021 higher than last year.

Finance costs slightly increased from RMB272.1 million for the year ended 29 February 2020 to RMB279.3 million for the year ended 28 February 2021, primarily as a result of an increase in interest expense on lease liabilities, as the Group's opened new stores under lease agreements resulted in higher lease liabilities, partly offset by less interest expenses of short-term borrowings incurred, as the average balance of short-term borrowings and weighted average interest rate for the year ended 28 February 2021 lower than last year.

Income tax expense for the year ended 28 February 2021 amounted to RMB1,080.7 million (2020: RMB782.7 million). The effective income tax rate increased by 2.7 percentage points to 28.1% for the year ended 28 February 2021 from 25.4% for the year ended 29 February 2020, primarily due to withholding tax provided on the profits retained by the Company's subsidiaries in the People's Republic of China (the "PRC"). The statutory income tax rate for the Group in Mainland China is generally 25%.

OTHER INCOME

Other income for the year ended 28 February 2021 amounted to RMB232.0 million (2020: RMB191.1 million) mainly consists of government incentives.

CAPITAL EXPENDITURE

The Group's capital expenditures primarily comprised of expenditures for property, plant and equipment and intangible assets. For the year ended 28 February 2021, the total capital expenditure was RMB588.3 million (2020: RMB781.5 million).

NON-IFRS MEASURES

Adjusted operating profit and adjusted profit attributable to the Company's equity holders are not calculated in accordance with IFRS, and they are considered as non-IFRS financial measures. The Group believes that this information is useful for investors in comparing the Group's performance without regard to items that do not affect the ongoing operating performance or cash flow, and it allows investors to consider metrics used by the management in evaluating the performance. Investors should not consider the non-IFRS financial measure a substitute for or superior to the IFRS results.

The following table sets forth the reconciliations of the adjusted operating profit and adjusted profit attributable to the Company's equity holders for the years indicated:

	Year ended	
	28 February 2021	29 February 2020
Operating profit	3,989.4	3,302.9
Adding back:		
Amortization of intangible assets arising from business combination ⁽¹⁾	2.9	35.6
Listing expenses ⁽²⁾	-	51.8
	<hr/>	<hr/>
Non-IFRS Measure – Adjusted operating profit	3,992.3	3,390.3
	<hr/> <hr/>	<hr/> <hr/>
Profit attributable to the Company's equity holders	2,770.1	2,303.4
Adding back:		
Amortization of intangible assets arising from business combination, net of deferred tax ⁽¹⁾	2.2	26.7
Listing expenses ⁽²⁾	-	51.8
	<hr/>	<hr/>
Non-IFRS Measure – Adjusted profit attributable to the Company's equity holders	2,772.3	2,381.9
	<hr/> <hr/>	<hr/> <hr/>
<i>Unit: RMB million</i>		
Non-IFRS Measure – Adjusted operating profit margin	11.1%	10.1%
Non-IFRS Measure – Adjusted profit margin attributable to the Company's equity holders	7.7%	7.1%

Notes:

- (1) The amortization of intangible assets arising from business combination is an adjustment item that is non-cash in nature. The intangible assets arising from business combination were fully amortized in March 2020.
- (2) The Company did not incur any listing expenses for the year ended 28 February 2021 which were recognized as expenses (2020: RMB51.8 million).

BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the year ended 28 February 2021 increased by 9.3% to RMB44.67 cents from RMB40.88 cents for the year ended 29 February 2020.

Basic earnings per share is calculated by dividing profit attributable to the Company's equity holders of RMB2,770.1 million for the year ended 28 February 2021 (2020: RMB2,303.4 million) by the weighted average number of ordinary shares of the Company in issue of 6,201,222,024 shares (2020: 5,634,470,570 shares). The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the year ended 29 February 2020 has been retrospectively adjusted for the effect of the Capitalization Issue. 930,184,000 new shares issued pursuant to the Global Offering of the Company was only accounted for in the calculation of the basic and diluted earnings per share from 10 October 2019.

Had these new shares been issued throughout the years since 1 March 2019, the adjusted earnings per share, for illustrative purpose, would be as follows:

		Year ended	
		28 February 2021	29 February 2020
Profit attributable to the Company's equity holders	RMB million	<u>2,770.1</u>	<u>2,303.4</u>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	thousand of shares	6,201,222	5,634,471
As if 930,184,000 new shares have been issued throughout the year	thousand of shares	-	566,751
	thousand of shares	<u>6,201,222</u>	<u>6,201,222</u>
Adjusted basic and diluted earnings per share, for illustrative purpose	RMB cents	<u>44.67</u>	<u>37.14</u>

LIQUIDITY AND FINANCIAL RESOURCES

During the year, net cash generated from operations decreased by RMB1,320.1 million to RMB5,655.5 million for the year ended 28 February 2021 from RMB6,975.6 million for the year ended 29 February 2020.

Net cash generated from investing activities for the year ended 28 February 2021 was RMB2,097.7 million (2020: net cash used in RMB4,296.8 million). During the year, the Group invested RMB643.1 million on payments for purchases of property, plant and equipment and intangible assets, RMB0.5 million on payments for acquisition of a business and net placement of long-term pledged bank deposits and other bank deposits of RMB1,000.0 million, partly offset by proceeds from disposals of property, plant and equipment of RMB5.9 million, withdrawal of pledged term deposits under the cross-border cash pooling arrangement of RMB3,594.7 million and interest received of RMB140.7 million.

During the year, net cash used in financing activities was RMB8,398.3 million (2020: net cash generated from RMB275.8 million), mainly attributable to the repayments of bank borrowings of RMB1,325.9 million, net repayment of drawing as borrowings under the cross-border cash pooling arrangement of RMB1,000.0 million, payments of dividends of RMB1,635.3 million to then equity holders of the Group, payments of the 2019/20 final dividend of RMB434.1 million, payments of the 2020/21 interim dividend of RMB744.1 million and the 2020/21 special dividend of RMB2,480.5 million, and payments for lease liabilities (including interest) of RMB1,960.1 million by the Group during the year, partly offset by proceeds from bank borrowings of RMB1,263.1 million.

As at 28 February 2021, the Group held bank balances and cash totaling RMB1,228.8 million, after netting off the short-term borrowings of RMB1,337.2 million, it was in a net debt position of RMB108.4 million. As at 29 February 2020, the Group held bank balances and cash totaling RMB2,823.9 million, after netting off the short-term borrowings of RMB2,400.0 million, it was in a net cash position of RMB423.9 million.

GEARING RATIO

As at 28 February 2021, the gearing ratio (net debt (short-term borrowings less bank deposits, balances and cash) divided by total capital (total equity plus net debt)) of the Group has a net cash position (2020: net cash position) and the aggregate balances of long-term pledged bank deposits, pledged term deposits and bank balances and cash exceeded the total balance of borrowings by RMB891.6 million (2020: RMB4,018.6 million).

PLEDGE OF ASSETS

As at 28 February 2021, except for the long-term pledged bank deposits of RMB1,000.0 million, no assets were pledged as security for banking facilities available to the Group.

CONTINGENT LIABILITIES

As at 28 February 2021, the Group had no material contingent liabilities.

HUMAN RESOURCES

As at 28 February 2021, the Group had a total of 40,348 employees (2020: 35,773 employees). For the year ended 28 February 2021, total staff cost was RMB3,172.9 million (2020: RMB3,310.5 million), accounting for 8.8% (2020: 9.8%) of the revenue of the Group. The Group offers a competitive remuneration package to its employees, including mandatory retirement funds, insurance and medical coverage. In addition, discretionary bonus may be granted to eligible employees based on the Group's and individual's performance. The Group also allocated resources for providing continuing education and training for management and employees so as to improve their skills and knowledge.

GENERAL INFORMATION

PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend for the year ended 28 February 2021 of RMB12.00 cents per ordinary share (2020: RMB7.00 cents), totaling RMB744.1 million (2020: RMB434.1 million).

The actual exchange rate for the purpose of dividend payment in Hong Kong dollars is the offshore exchange rate (Buying TT) of RMB against Hong Kong dollars (RMB1.00 = HK\$1.1944) as quoted by the Hong Kong Association of Banks on Monday, 24 May 2021, being the date on which the final dividend is recommended by the Board. Accordingly, the amount of the final dividend is HK\$14.33 cents per ordinary share.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (“AGM”) will be held on Tuesday, 20 July 2021. The notice of AGM will be sent to shareholders on Thursday, 17 June 2021.

The register of members of the Company will be closed as follows:

- (a) For the purpose of ascertaining shareholder’s eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 15 July 2021 to Monday, 19 July 2021 both days inclusive. To be eligible to attend and vote at the annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, for registration no later than 4:30 p.m. on Wednesday, 14 July 2021.
- (b) The final dividend will be payable on or about Tuesday, 17 August 2021 to the shareholders whose names appear on the register of members of the Company on Friday, 30 July 2021. For the purpose of ascertaining shareholder’s eligibility for the final dividend, the register of members of the Company will be closed from Wednesday, 28 July 2021 to Friday, 30 July 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the above mentioned final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, for registration by no later than 4:30 p.m. on Tuesday, 27 July 2021.

The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

CORPORATE GOVERNANCE

The Company’s corporate governance practices are based on the principles and code provisions of the Corporate Governance Code, as set out in Appendix 14 to the Listing Rules (the “CG Code”), and the Company has adopted the CG Code as its own corporate governance code. The CG Code has been applicable to the Company since the shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 10 October 2019 (the “Listing Date”).

CODE PROVISION A.5.1

Under the code provision A.5.1 of the CG Code, the nomination committee shall be chaired by the chairman of the Board or an independent non-executive director. Currently, Mr. YU Wu, an Executive Director of the Company, serves as the chairman of the Nomination Committee. Given Mr. YU Wu is an Executive Director of the Company who is responsible for the day-to-day management and operations of the Group and his extensive expertise and insight to sportswear industry, the Board considered that Mr. YU Wu is the suitable candidate for the chairmanship of the Nomination Committee. Besides, in consideration of the size of the Group, the appointment and removal of directors were determined collectively by the Board. The Board is empowered under the Articles of Association of the Company to appoint any person as a director either to fill a casual vacancy on or as an addition to the Board. The Board will select and recommend candidates for directorship and senior management having regard to the balance of skills, experience and qualifications appropriate to the Group's business.

The Board is of the view that the Company has complied with all applicable code provisions as set out in the CG Code during the year ended 28 February 2021, save for code provision A.5.1 of the CG Code as disclosed above.

The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for Directors' securities transactions. After having made specific enquiries, each Director has confirmed that he/she has complied with the requirements of the Model Code during the year and up to the date of this announcement.

AUDIT COMMITTEE

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, review the financial information of the Group and consider issues in relation to the external auditors and their appointment.

The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. LAM Yiu Kin, Mr. HUA Bin and Mr. HUANG Victor. The chairman of the Audit Committee is Mr. LAM Yiu Kin, who has a professional qualification in accountancy.

The Audit Committee and the external auditor have reviewed the audited consolidated financial statements of the Group for the year ended 28 February 2021. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and its internal controls and financial reporting matters.

REMUNERATION COMMITTEE

The primary responsibilities of the Remuneration Committee are to make recommendations to the Board on the remuneration policy and structure for Directors and senior management and on the establishment of a formal and transparent procedure for developing such policies; to determine the terms of specific remuneration package of the Directors and senior management; and to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time.

The Remuneration Committee has three members comprising Mr. HUA Bin, Mr. YU Wu and Mr. LAM Yiu Kin, two of whom are Independent Non-executive Directors. The chairman of the Remuneration Committee is Mr. HUA Bin.

NOMINATION COMMITTEE

The primary duties of the Nomination Committee are to identify, screen and recommend to the Board appropriate candidates to serve as the directors of the Company, oversee the process for evaluating the performance of the Board, review the structure, size and composition of the Board and assess the independence of the independent non-executive Directors.

The Nomination Committee has three members comprising Mr. YU Wu, Mr. HUANG Victor and Mr. LAM Yiu Kin, two of whom are Independent Non-executive Directors. The chairman of the Nomination Committee is Mr. YU Wu.

SCOPE OF WORK OF THE AUDITOR ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated balance sheet, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and the related notes thereto for the year ended 28 February 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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

During the year and up to the date of this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this announcement, the Company has maintained the prescribed minimum public float under the Listing Rules.

USE OF PROCEEDS FROM THE COMPANY'S GLOBAL OFFERING

The net proceeds (the "Net Proceeds") from the initial public offering of the shares of the Company in October 2019, after deducting the underwriting fees and commissions and other related expenses, of HK\$7,689.0 million are and will be utilized as stated in the Company's Prospectus.

The following table sets forth a summary of the utilization of the net proceeds from Company's initial public offering as at 28 February 2021:

Intended use of Net Proceeds as stated in the Prospectus	Net Proceeds HK\$ million	Utilized amount HK\$ million	Unutilized amount HK\$ million
Investing in technology initiatives to accelerate the digital transformation of the business	800.0	483.5	316.5 ⁽¹⁾
Repaying outstanding amounts due to Belle International and fellow subsidiaries	3,717.4	3,717.4	-
Repaying short-term bank borrowings	2,210.5	2,210.5	-
Working capital and other general corporate purposes	538.2	538.2	-
Settlement of dividend payable	422.9	422.9	-
Total	7,689.0	7,372.5	316.5

Note:

- (1) The balance of unutilized amount on Investing in technology initiatives to accelerate the digital transformation of the business is expected to be fully utilized by end of February 2025.

By order of the Board
Topsports International Holdings Limited
YU Wu
CEO & Executive Director

Hong Kong, 24 May 2021

As at the date of this announcement, the Board of Directors of the Company comprises Mr. YU Wu and Mr. LEUNG Kam Kwan as Executive Directors and Mr. SHENG Baijiao, Mr. SHENG Fang, Ms. YUNG Josephine Yuen Ching and Ms. HU Xiaoling as Non-executive Directors, Mr. LAM Yiu Kin, Mr. HUA Bin and Mr. HUANG Victor as Independent Non-executive Directors.

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.topsports.com.cn), respectively. The annual report of the Company will be dispatched to the Shareholders in due course, and will be published on the websites of The Stock Exchange of Hong Kong Limited and the Company, respectively.